

CMP: INR 413

Rating: Buy

Target: INR 563

BSE	543334
NSE	NUVOCO
Bloomberg	NUVOCO:IN
Sector	Cement
Face Value (INR)	10
Equity Capital (INR mn)	3,570
Mkt Cap (INR mn)	147,470
52w H/L (INR)	478/287
Avg Yearly Volume (in 000')	326

Shareholding Pattern %

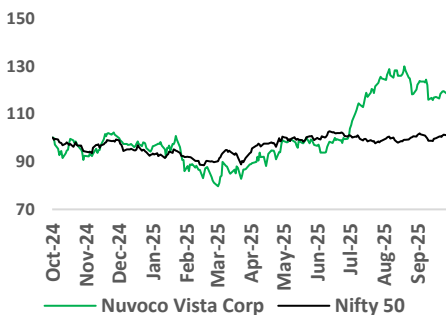
(As on September, 2024)

Promoters	72
FII	5.2
DII	18.1
Public & Others	4.7

Stock Performance (%) 1m 6m 12m

NUVOCO	-6.9%	27.8%	13.7%
NIFTY	1.4%	9.7%	2.5%

NUVOCO vs Nifty



Nuvoco Vistas corporation delivered a resilient Q2 FY26 performance, overcoming substantial headwinds from an intense monsoon and clustered festive period that moderated construction activity. Revenue stood at INR 24,576 Mn, up 8.4% YoY but down 14.5% QoQ, in line with estimates of INR 24,592 Mn, reflecting seasonal moderation in demand. Sales volumes were 4.3 MnT, slightly below the estimate of 4.6 MnT, marking a 2.4% YoY increase and a 15.7% QoQ decline due to monsoon-related slowdown.- Realization came in at INR 5,715/Ton, versus the estimate of INR 5,346/Ton, showing a 5.4% YoY rise and 1.5% QoQ improvement, aided by price discipline and favorable regional mix.

Capacity Expansion and Prudent Capital Allocation- Q2 saw confirmation of steady progress on strategic expansion, with Vadraj Cement integration and new Eastern grinding units advancing according to plan. The low-capex (<INR 200 crore for 4 MTPA) model for Eastern capacity, phasing of CapEx outflows, and prudent debt management were emphasized by management as key levers to support scalable volume growth while preserving balance sheet strength. The Vadraj acquisition is set to ramp up Gujarat and Maharashtra sales, unlock Northern markets, and de-bottleneck existing plant utilization, securing the company's third-largest status across these markets by FY27 and reaching 35 Mnt by FY27.

Margin Expansion through Cost Efficiency and Premiumization- Despite lower sequential volumes, the company achieved a sharp 328 bps YoY increase in gross margin to 82.5% and a 533 bps jump in EBITDA margin to 14.9%. Management is delivering on its FY26 target of INR 50/T cost reduction by optimizing logistics, harnessing new rail connectivity, and leveraging alternate fuels—cost productivity measures that support margin immunity against input volatility. Premium products now comprise 44% of trade volumes and are targeted for further growth, with Concerto UNO and Duraguard Microfiber driving realization uplift and profitability resilience.

Outlook & Valuation: Nuvoco has confident of delivering 7–8% cement demand growth in H2 FY26, with Nuvoco targeting outperformance aiming for at least 1.2–1.5x industry growth in these core regions. Realization gains will arise from higher premiumization and improved geomix rather than price hikes, and the company remains committed to its INR 50/T cost reduction and sustainability goals. With strongly phased capex execution, solid working capital discipline, and a focus on brownfield expansion in Chittorgarh post-Vadraj commissioning, We forecast revenue/EBITDA growth of 13%/16.8% over FY25-27E, driven by volume expansion, improved realizations, and operational efficiencies. We reiterate a Buy rating, with our target price revised upward to INR 563.

Key Financials:

Particulars (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net revenue	1,05,862	1,07,329	1,03,567	1,22,895	1,48,498	1,68,813
EBITDA	12,104	16,237	13,720	19,029	24,181	27,489
EBITDAM (%)	11	15	13	15	16	16
APAT	159	1,474	218	3,920	6,541	7,436
APATM (%)	0.1	1.4	0.2	3.2	4.4	4.4
EPS (Rs)	0.4	4.1	0.7	11.0	18.3	20.8
EV/EBITDA	15.2	11.1	11.9	9.5	7.4	6.6
RoE (%)	0.2	1.6	0.2	4.2	6.5	6.9

Source: Arihant Research, Company Filings

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Q2 FY26 Key Takeaways

Seasonal and Operational Impacts

- The quarter was impacted by an unusually intense and extended monsoon, leading to muted construction activity and demand, particularly in key markets.
- Implementation of revised ESG rates and concentrated festive/sacred periods added operational complexity, though the transition was managed effectively.
- Reduction in GST on cement from 28% to 18% is expected to structurally benefit affordability and sector volumes; Nuvoco fully passed on the GST reduction to customers.

Financial and Volume Performance

- Achieved EBITDA of INR 3.71 billion, a 62% YoY increase, with a quarter-on-quarter improvement in revenue per ton despite market headwinds.
- Premium product contribution reached a new high at 44%, supported by strong performance of brands Concreto and Duraguard Microfiber, with ongoing momentum in premiumization targets for subsequent quarters.
- Blended fuel cost edged up to INR 1.46/mkCal due to operational shutdowns, but management aims to revert to INR 1.43/mkCal by leveraging alternative fuels and operational normalcy in Q3 and Q4.
- Company maintained strong cost controls, targeting further INR 50/tonne savings in H2 FY26 through lead distance reduction, logistics optimization, and enhanced use of railway sidings.

Capacity Expansion and Projects

- Vadraj Cement integration on track: Completion of equipment inspection and purchase orders for Kutch and Surat units; triad runs expected by H1 FY27 and full commissioning by Q3 FY27.
- Funding for Vadraj includes long-term debt, convertible CCDs, and bridge loans, with refinancing measures to lower interest burdens in coming quarters.
- East region expansion—incremental 4 MTPA cement capacity (via grinding units at Arasmeta, Jojobera, Panagarh, and Jhanspur) is underway at <INR 200 crore capex, leveraging incentives and market access via new/expanded railway connectivity.
- Capacity addition phasing: 1 MTPA each in Dec'25, Mar'26, and Jun'26, with full impact from FY27 onwards.
- Further brownfield expansion at Chittorgarh (North) prioritized over Gulbarga (West), with focus on cost-effective capacity deployment.

Market and Operating Commentary

- While Q2 volume growth was ~2%, management expects a 7–8% growth for H2 FY26, with Nuvoco targeting at least 1.2–1.5x industry growth in key states (Chhattisgarh, Haryana, Rajasthan, Gujarat).
- Price increases are not anticipated in the near term post-GST cut; improvement in realization to be driven by geomix (market mix) and higher premium product volumes, targeting INR 25–50 per tonne uplift in H2.
- Lead distance improved further to 331 km; rail accounted for 40% of dispatches in Q2 (rest by road).
- Commitment to sustainability reaffirmed—carbon emissions at 454kg CO₂/ton of cement material (among lowest in the industry).
- Dealer incentives and discounting schemes remain intact, preserving Nuvoco's retail distribution strength.

Q2FY26 - Quarterly Performance (Consolidated)

Particulars (INR Mn)	Q2FY26	Q2FY25	Y-o-Y %	Q4FY25	Q-o-Q %
Net Sales	24,575.7	22,680.0	8.4	28,727.0	(14.5)
Cost of Raw Materials	3,930.9	4,152.1	(5.3)	4,536.2	(13.3)
Purchase of Finished Goods	605.0	665.6	(9.1)	741.0	(18.4)
(Increase) / Decrease In Stocks	(235.9)	(106.6)	121.3	(352.5)	(33.1)
Total Raw material cost	4,300.0	4,711.1	(8.7)	4,924.7	(12.7)
Gross Profit	20,276	17,969	12.8	23,802	(14.8)
Gross Margins %	82.5	79.2	328bps	82.9	-35bps
Employee Cost	1,782.7	1,655.1	7.7	1,795.2	(0.7)
Fuel Cost	4,536.1	4,526.5	0.2	5,140.3	(11.8)
Frieght & Forwarding	6,470.8	6,198.4	4.4	7,856.0	(17.6)
Other Expenses	3,816.2	3,410.4	11.9	3,824.9	(0.2)
Total Expenditure	20,906	20,502	2.0	23,541	(11.2)
EBITDA	3,670	2,179	68.5	5,186	(29.2)
EBITDA Margins (%)	14.9	9.6	533bps	18.1	-312bps
Depreciation	2,181.3	2,152.9	1.3	2,146.6	1.6
EBIT	1,488.6	25.6	5,714.8	3,039.3	(51.0)
Other Income	38.8	104.3	(62.8)	148.0	(73.8)
Interest	1,015.6	1,315.4	(22.8)	1,171.3	(13.3)
PBT	511.8	(1,185.5)	56.8	2,016.0	(74.6)
Exceptional items	-	-	-	-	-
PBT	511.8	(1,185.5)	56.8	2,016.0	(74.6)
Tax	147.5	(324.7)	54.6	684.4	(78.4)
Reported PAT	364.3	(860.8)	57.7	1,331.6	72.6
PAT Margin (%)	1.5	(3.8)	528bps	4.6	-315bps
EPS	1.0	(2.4)	57.7	3.7	(72.6)

Particulars (INR Mn)	Q2FY26	Q2FY25	Y-o-Y %	Q4FY25	Q-o-Q %
Sales Volume (MT)	4.3	4.2	2.4	5.1	-15.7
Realization/Ton (Rs)	5,715	5,400	5.8	5,633	1.5
EBITDA/Ton (Rs)	853	519	64.5	1,017	(16.1)
Total Cost/Ton (Rs)	4,862	4,881	(0.4)	4,616	5.3
Fuel Cost/Ton (Rs)	1,055	1,078	(2.1)	1,008	4.7
Frieght & Forwarding/Ton (Rs)	1,505	1,476	2.0	1,540	(2.3)

Source: Arianth Research, Company Filings

Profit & Loss A/C						
Particulars (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net sales	1,05,862	1,07,329	1,03,567	1,22,895	1,48,498	1,68,813
Expenditure						
Cost of materials	17,650	17,414	17,483	19,417	23,463	26,672
Purchase of stock in trade	443	1,456	2,606	3,092	3,736	4,248
(Inc)/Dec In Stocks	(236)	667	529	614	742	844
Total raw materials	17,857	19,537	20,618	23,124	27,942	31,764
Gross Profit	88,005	87,792	82,949	99,771	1,20,557	1,37,049
Gross Profit M (%)	83	82	80	81	81	81
Employee cost	6,055	6,818	6,758	7,865	9,504	10,804
Fuel cost	27,923	21,402	19,700	23,842	28,215	32,074
Frieght & Forwarding	28,183	29,285	27,937	33,059	39,352	44,735
Other expenses	13,740	14,050	14,834	15,976	19,305	21,946
Total expenditure	93,758	91,092	89,847	1,03,866	1,24,317	1,41,324
EBITDA	12,104	16,237	13,720	19,029	24,181	27,489
EBITDAM (%)	11	15	13	15	16	16
Depreciation	9,511	9,186	8,685	8,971	10,395	11,817
PBIT	2,593	7,051	5,035	10,058	13,786	15,672
Other income	132	335	194	231	279	317
Interest expenses	5,119	5,326	4,964	5,530	6,126	6,964
PBT	(2,394)	2,060	265	4,758	7,939	9,026
Tax	(6,611)	586	47	838	1,399	1,590
Reported PAT	4,217	1,474	218	3,920	6,541	7,436
Except. Inc/Exp	(4,058)	-	-	-	-	-
PAT (after Exceptional)	159	1,474	218	3,920	6,541	7,436
PAT Margin %	0.1	1.4	0.2	3.2	4.4	4.4
EPS	0.4	4.1	0.7	11.0	18.3	20.8

Source: Arianth Research, Company Filings

Balance sheet						
Particulars (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	3,572	3,572	3,572	3,572	3,572	3,572
Reserves & Surplus	84,818	86,264	86,452	90,371	96,912	1,04,348
Net worth	88,390	89,835	90,023	93,943	1,00,484	1,07,919
Minority Interest	-	-	-	-	-	-
Long term borrowings	33,254	28,783	23,632	29,495	34,155	38,827
Short term borrowing	12,923	12,588	14,594	14,747	14,850	16,881
Total Debt	46,177	41,370	38,226	44,242	49,004	55,708
Deferred tax liabilities	11,899	11,736	11,508	12,290	11,880	11,817
Loans & advances	-	-	-	-	-	-
Long term provision	1,822	1,887	1,691	2,007	2,425	2,757
Other long term liabilities	1,832	2,391	2,216	2,629	3,177	3,612
Total	15,553	16,014	15,415	16,926	17,482	18,186
Current Liabilities						
Trade payables	17,026	16,860	15,875	18,838	22,762	25,876
Short term provisions	5,472	4,500	4,518	5,361	6,477	7,363
Other current liabilities	17,260	18,520	17,519	20,278	22,275	23,634
Total	39,757	39,880	37,912	44,476	51,514	56,873
Total liabilities	1,89,877	1,87,099	1,81,576	1,99,587	2,18,485	2,38,687
Application of Funds						
Net Block	1,16,843	1,17,647	1,14,276	1,18,814	1,25,557	1,33,804
Current work in process	5,950	4,716	3,834	3,834	3,834	3,834
Goodwill	32,785	32,785	32,785	36,905	36,905	36,905
Non current investment	-	8	8	-	-	-
Tax assets	1,763	1,716	1,462	1,735	2,097	2,384
Long term loans and adv.	15	13	16	18	22	25
Other non-current assets	7,283	6,668	6,485	8,111	9,801	11,142
Total	1,64,639	1,63,552	1,58,865	1,69,417	1,78,216	1,88,093
Current Assets						
Inventories	10,500	9,467	7,617	11,111	13,426	15,263
Trade receivables	6,012	5,907	6,601	6,768	8,178	9,296
Cash & Bank balance	2,032	1,064	1,823	3,668	8,245	14,189
Short term loans and adv.	26	39	18	21	25	29
Other current assets	6,669	7,071	6,654	8,603	10,395	11,817
Total	25,239	23,547	22,712	30,170	40,269	50,593
Total assets	1,89,877	1,87,099	1,81,576	1,99,587	2,18,485	2,38,687

Source: Arianth Research, Company Filings

Cash Flow						
Particulars (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	159	1,474	218	3,920	6,541	7,436
Add: Depreciation	9,511	9,186	8,685	8,971	10,395	11,817
Add: Interest cost	5,119	5,326	4,964	5,530	6,126	6,964
Less: Other Income	(132)	(335)	(194)	(231)	(279)	(317)
Operating profit before WC changes	14,657	15,652	13,673	18,191	22,783	25,899
Changes in working capital	4,833	1,530	1,869	(12)	141	1,837
Cash flow from Operations	19,490	17,182	15,543	18,178	22,924	27,736
Cash flow from investing	(5,234)	(7,815)	(4,054)	(19,017)	(18,550)	(21,088)
Cash flow from Financing	(13,715)	(10,335)	(10,729)	2,684	203	(705)
Net cash Inflow/Outflow	541	(968)	759	1,845	4,577	5,944
Opening cash	1,491	2,032	1,064	1,823	3,668	8,245
Closing cash	2,032	1,064	1,823	3,668	8,245	14,189

Source: Arihant Research, Company Filings

Key Financial ratios						
Particulars (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Per share Data						
EPS (Rs)	0.4	4.1	0.7	11.0	18.3	20.8
Book value per share (Rs)	247.5	251.5	277.3	263.0	281.3	302.2
Profitability Ratios						
EBITDAM(%)	11.4	15.1	13.2	15.5	16.3	16.3
PBTM (%)	-2.3	1.9	0.3	3.9	5.3	5.3
NPM (%)	0.1	1.4	0.2	3.2	4.4	4.4
RoE (%)	0.2	1.6	0.2	4.2	6.5	6.9
RoCE (%)	1.9	5.4	3.9	7.3	9.2	9.6
Efficiency Data						
Debt-Equity (x)	0.5	0.5	0.4	0.5	0.5	0.5
Debt/EBITDA (x)	3.8	2.5	2.8	2.3	2.0	2.0
Interest Cover (x)	0.5	1.3	1.0	1.8	2.3	2.3
Fixed Asset (x)	1.1	1.1	1.1	1.0	0.8	0.8
Debtors (Days)	20.7	20.1	23.3	20.1	20.1	20.1
Inventory (Days)	36.2	32.2	26.8	33.0	33.0	33.0
Payable (Days)	58.7	57.3	55.9	55.9	55.9	55.9
WC (Days)	-1.8	-5.1	-5.8	-2.8	-2.8	-2.8
Valuation						
P/E (x)	770.2	82.9	508.4	31.2	18.7	16.4
P/BV	1.4	1.4	1.2	1.3	1.2	1.1
EV/EBITDA	13.7	10.0	10.7	8.6	6.7	6.0
EV/Sales	1.6	1.5	1.4	1.3	1.1	1.0

Source: Arihant Research, Company Filings

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return

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