

CMP: INR 350

Rating: Buy

Target: INR 517

BSE	543334
NSE	NUVOCO
Bloomberg	NUVOCO:IN
Sector	Cement
Face Value (INR)	10
Equity Capital (INR mn)	3,570
Mkt Cap (INR mn)	124,990
52w H/L (INR)	478/287
Avg Yearly Volume (in 000')	399

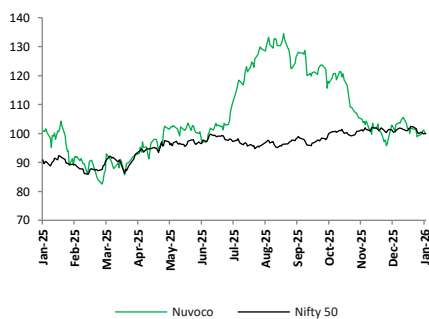
Shareholding Pattern %

(As on September, 2024)

Promoters	72
FII	5
DII	18.1
Public & Others	4.9

Stock Performance (%)	1m	6m	12m
NUVOCO	-1%	-9.8%	-0.7%
NIFTY	-0.5%	2.9%	10.1%

NUVOCO vs Nifty



Nuvoco Vistas Corporation Limited delivered a strong Q3 FY26 performance, aided by a post-monsoon demand recovery and improved dispatches across key markets. Revenue stood at INR 27,013 Mn, up 12.1% YoY and 9.9% QoQ, slightly below our estimate of INR 27,323 Mn, reflecting healthy volume growth amid a stable pricing environment. Sales volumes increased to 5.0 MnT, in line with estimates, marking a 6.4% YoY growth and a sharp 16.3% QoQ rebound, driven by demand normalization and better capacity utilization. Realizations came in at INR 5,403/ton, up 5.4% YoY but declined 5.5% QoQ, indicating selective price corrections amid heightened competitive intensity.

Scalable Growth via the Strategic West Expansion- The refurbishment of the Vadraj cement plant provides a disciplined roadmap to scale total company capacity to 35 million tons per annum. Through the "1-2-3-4" agenda, the company aims to scale Gujarat sales from 1 mn tons in FY26 to 4 mn tons by FY29, with phased operationalization beginning in Q3 FY27. Crucially, this expansion is designed to release capacity in the North, where plants are currently operating at near-full utilization, allowing those assets to refocus on their immediate home markets. The Vadraj plant will also benefit from a cost structure similar to the efficient North operations by utilizing locally available lignite for its captive power plant, securing the company's third-largest status across these markets by FY27 and reaching 35 Mnt by FY27.

Market Leadership through High-Margin Premiumization- The company's focus on high-value products has resulted in premium brands reaching a historic high of 44% of trade volumes in Q3 FY26. Flagship products like Concreto and Duraguard are central to this strategy, offering an increased contribution of 150 to 200 rupees per ton compared to base cement products. Management has established this 44% share as a new performance base and intends to grow the premium mix by 200 basis points annually over the next few years. This shift, supported by record-breaking quarterly volumes of 5 million tons, positions Nuvoco to capitalise on strengthening demand from government capital expenditure

Outlook & Valuation: Nuvoco anticipates 7–8% industry growth in Q4 FY26, aiming for 10% annual volume growth annually over the next two years. Realization gains will arise from a historic high of 44% premiumization and improved geo mix as the Vadraj plant begins releasing capacity in the North, alongside strategic price hikes implemented in January for both trade and non-trade segments. Phased Vadraj plant commissioning from Q3 FY27 will scale capacity to 35 MTPA, optimizing regional distribution. Management targets a Net Debt/EBITDA ratio of ~2x through cost discipline and internal accruals, We forecast revenue/EBITDA growth of 12%/22% over FY25-28E, driven by volume expansion, premiumization, and operational efficiencies. We reiterate a Buy rating, with our target price is INR 517.

Key Financials:

Particulars (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net revenue	1,05,862	1,07,329	1,03,567	1,13,421	1,29,986	1,43,408
EBITDA	12,104	16,237	13,720	20,624	22,597	24,930
EBITDAM (%)	11	15	13	18	17	17
APAT	159	1,474	218	6,140	6,903	7,616
APATM (%)	0.1	1.4	0.2	5.4	5.3	5.3
EPS (Rs)	0.4	4.1	0.7	17.2	19.3	21.3
EV/EBITDA	15.2	11.1	11.9	8.7	8.0	7.3
RoE (%)	0.2	1.6	0.2	6.4	6.7	6.9

Source: Arihant Research, Company Filings

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Outlook

Management highlighted a **gradual recovery in demand during Q3**, with a strong rebound toward quarter-end. **December volumes grew ~20% YoY**, indicating improving execution and demand traction. While Q3 pricing remained under pressure due to GST benefit pass-through and macro headwinds, the company has **initiated price hikes in mid-Jan FY26**, with sustainability contingent on demand momentum. Medium-term outlook remains constructive, supported by **pending central/state capex execution**, premiumisation, cost optimisation, and upcoming capacity additions. Management reiterated confidence in delivering **~10% volume CAGR over the next 2–3 years**.

Operational Performance

- Cement volumes increased **7% YoY to 5.0 Mnt**, marking the **highest-ever Q3 volumes** for the company.
- Premium products constituted **44% of trade volumes** (highest to date); **9M FY26 premium share at 43%**, up ~300 bps YoY, aiding realisation stability.
- North operations running near peak utilisation; East continues to provide significant growth headroom via higher blended cement penetration.

Financial Performance

- Revenue came in at INR 27,013 Mn, registering a 12.1% YoY growth and a 9.9% QoQ increase, driven by improved dispatches post-monsoon and stable pricing environment.
- Sales volumes stood at 5.0 Mnt, up 6.4% YoY and 16.3% QoQ, reflecting demand recovery and better capacity utilisation in key markets.
- Realizations were at INR 5,403/ton, up 5.4% YoY but declined 5.5% QoQ, indicating selective price corrections amid heightened competitive intensity.
- EBITDA increased sharply by 48.6% YoY to INR 3,837 Mn, while growing 4.6% QoQ. EBITDA margin expanded 349 bps YoY to 14.2%, though declined 73 bps QoQ, impacted by cost pressures and lower realizations.
- EBITDA/ton improved to INR 767, marking a 39.7% YoY growth, though sequentially lower by 10.1% QoQ, in line with margin moderation.
- Power & fuel cost/ton declined 8.1% YoY to INR 997, aided by favourable fuel mix and operational efficiencies.
- Net profit stood at INR 494 Mn, compared to a loss of INR 614 Mn in Q3FY25, reflecting strong operating leverage and lower interest costs, though higher tax outgo limited profitability.

Cost Structure

- **Fuel Cost:** Kiln fuel cost declined to **INR 1.41 per million kcal**, the **lowest in 17 quarters**, aided by Lower petcoke usage (**41% vs 48% YoY**). Higher domestic coal and AFR substitution
- **Logistics:** Distribution cost declined QoQ due to Reduced lead distance (**326 km vs 331 km QoQ**) and higher rail dispatch share (**~37%**). GPS-enabled control over primary freight.

Balance Sheet and Capital Allocation

- Debt Refinancing: Raised INR 6,000 mn via CCDs during Q3 to refinance short-term bridge loans; an additional INR 6,000 mn CCD issuance is planned.
- Leverage: Management comfortable with net debt of INR 35,000–40,000 mn, targeting Net Debt/EBITDA 2.0x over the medium term.

Capacity Expansion and Projects

- **Vadraj Cement** Integration and refurbishment progressing as planned. Clinker and grinding units to be commissioned in phases from **Q3 FY27 to Q1 FY28**
- **East Expansion: 4 MTPA incremental cement capacity** via grinding additions underway Supports blended cement strategy and clinker optimization.
- **Capacity Outlook:** Post ongoing expansions, total cement capacity to scale up to **~35 MTPA**.
- Vadraj railway siding execution underway; completion targeted by June FY28, with interim logistics solutions in place.

Demand and Pricing Outlook

- **Q4 FY26:** Management expects **7–8% YoY volume growth**, despite a high base.
- **Pricing:** Near-term pricing outlook dependent on demand sustainability; realisation improvement expected via **geo-mix and premium mix**, rather than aggressive price hikes.

Q3FY26 - Quarterly Performance (Consolidated)

Particulars (INR Mn)	Q3FY26	Q3FY25	Y-o-Y	Q2FY26	Q-o-Q
Net Sales	27,012.7	24,093.6	12.1	24,575.7	9.9
Cost of Raw Materials	4,099.2	4,104.9	(0.1)	3,930.9	4.3
Purchase of Finished Goods	728.6	705.4	3.3	605.0	20.4
(Increase) / Decrease In Stocks	250.1	(606.0)	(141.3)	(235.9)	(206.0)
Total Raw material cost	5,077.9	4,204.3	20.8	4,300.0	18.1
Gross Profit	21,935	19,889	10.3	20,276	8.2
Gross Margins %	81.2	82.6	-135bps	82.5	-130bps
Employee Cost	1,825.3	1,724.2	5.9	1,782.7	2.4
Fuel Cost	4,986.8	5,103.5	(2.3)	4,536.1	9.9
Frieght & Forwarding	7,185.9	6,605.1	8.8	6,470.8	11.1
Other Expenses	4,099.7	3,874.0	5.8	3,816.2	7.4
Total Expenditure	23,176	21,511	7.7	20,906	10.9
EBITDA	3,837	2,583	48.6	3,670	4.6
EBITDA Margins (%)	14.2	10.7	349bps	14.9	-73bps
Depreciation	2,232.8	2,173.8	2.7	2,181.3	2.4
EBIT	1,604.3	408.7	292.5	1,488.6	7.8
Other Income	27.6	1.6	1,625.0	38.8	(28.9)
Interest	986.5	1,257.4	(21.5)	1,015.6	(2.9)
PBT	645.4	(847.1)	23.8	511.8	26.1
Exceptional items	-	-	-	-	-
PBT	645.4	(847.1)	23.8	511.8	26.1
Tax	151.7	(233.4)	35.0	147.5	2.8
Reported PAT	493.7	(613.7)	19.6	364.3	(35.5)
PAT Margin (%)	1.8	(2.5)	437bps	1.5	35bps
EPS	1.4	(1.7)	19.6	1.0	35.5

Particulars (INR Mn)	Q3FY26	Q3FY25	Y-o-Y	Q2FY26	Q-o-Q
Sales Volume (MT)	5.0	4.7	6.4	4.3	16.3
Realization/Ton (Rs)	5,403	5,126	5.4	5,715	(5.5)
EBITDA/Ton (Rs)	767	549	39.7	853	(10.1)
Total Cost/Ton (Rs)	4,635	4,577	1.3	4,862	(4.7)
Fuel Cost/Ton (Rs)	997	1,086	(8.1)	1,055	(5.5)
Frieght & Forwarding/Ton (Rs)	1,437	1,405	2.3	1,505	(4.5)

Source: Aриhant 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	1,13,421	1,29,986	1,43,408
Expenditure						
Cost of materials	17,650	17,414	17,483	17,013	20,538	22,659
Purchase of stock in trade	443	1,456	2,606	2,854	3,271	3,608
(Inc)/Dec In Stocks	(236)	667	529	567	650	717
Total raw materials	17,857	19,537	20,618	20,434	24,458	26,984
Gross Profit	88,005	87,792	82,949	92,987	1,05,528	1,16,425
Gross Profit M (%)	83	82	80	82	81	81
Employee cost	6,055	6,818	6,758	7,146	8,189	9,035
Fuel cost	27,923	21,402	19,700	20,416	23,397	25,814
Frieght & Forwarding	28,183	29,285	27,937	30,057	34,446	38,003
Other expenses	13,740	14,050	14,834	14,745	16,898	18,643
Total expenditure	93,758	91,092	89,847	92,797	1,07,389	1,18,479
EBITDA	12,104	16,237	13,720	20,624	22,597	24,930
EBITDAM (%)	11	15	13	18	17	17
Depreciation	9,511	9,186	8,685	8,280	9,099	10,039
PBIT	2,593	7,051	5,035	12,345	13,498	14,891
Other income	132	335	194	213	244	269
Interest expenses	5,119	5,326	4,964	5,104	5,362	5,916
PBT	(2,394)	2,060	265	7,453	8,379	9,245
Tax	(6,611)	586	47	1,313	1,476	1,629
Reported PAT	4,217	1,474	218	6,140	6,903	7,616
Except. Inc/Exp	(4,058)	-	-	-	-	-
PAT (after Exceptional)	159	1,474	218	6,140	6,903	7,616
PAT Margin %	0.1	1.4	0.2	5.4	5.3	5.3
EPS	0.4	4.1	0.7	17.2	19.3	21.3

Balance sheet

Source: Arianth Research, Company Filings

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	92,592	99,495	1,07,112
Net worth	88,390	89,835	90,023	96,164	1,03,067	1,10,683
Minority Interest	-	-	-	-	-	-
Long term borrowings	33,254	28,783	23,632	27,221	29,897	32,984
Short term borrowing	12,923	12,588	14,594	13,611	12,999	14,341
Total Debt	46,177	41,370	38,226	40,832	42,895	47,325
Deferred tax liabilities	11,899	11,736	11,508	11,342	10,399	10,039
Long term provision	1,822	1,887	1,691	1,852	2,123	2,342
Other long term liabilities	1,832	2,391	2,216	2,427	2,781	3,068
Total	15,553	16,014	15,415	15,621	15,303	15,449
Current Liabilities						
Trade payables	17,026	16,860	15,875	17,385	19,925	21,982
Short term provisions	5,472	4,500	4,518	4,947	5,670	6,255
Other current liabilities	17,260	18,520	17,519	18,714	19,498	20,077
Total	39,757	39,880	37,912	41,047	45,092	48,314
Total liabilities	1,89,877	1,87,099	1,81,576	1,93,663	2,06,357	2,21,771
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	1,601	1,835	2,025
Long term loans and adv.	15	13	16	17	19	21
Other non-current assets	7,283	6,668	6,485	7,486	8,579	9,465
Total	1,64,639	1,63,552	1,58,865	1,68,656	1,76,730	1,86,054
Current Assets						
Inventories	10,500	9,467	7,617	10,255	11,752	12,966
Trade receivables	6,012	5,907	6,601	6,246	7,158	7,897
Cash balance	2,032	1,064	1,823	548	1,596	4,792
Short term loans and adv.	26	39	18	19	22	24
Other current assets	6,669	7,071	6,654	7,939	9,099	10,039
Total	25,239	23,547	22,712	25,007	29,628	35,717
Total assets	1,89,877	1,87,099	1,81,576	1,93,663	2,06,357	2,21,771

Source: Arianth Research, Company Filings

Cash Flow						
Particulars (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	159	1,474	218	6,140	6,903	7,616
Add: Depreciation	9,511	9,186	8,685	8,280	9,099	10,039
Add: Interest cost	5,119	5,326	4,964	5,104	5,362	5,916
Less: Other Income	(132)	(335)	(194)	(213)	(244)	(269)
Operating profit before WC changes	14,657	15,652	13,673	19,311	21,120	23,301
Changes in working capital	4,833	1,530	1,869	(1,988)	(1,096)	895
Cash flow from Operations	19,490	17,182	15,543	17,323	20,025	24,196
Cash flow from investing	(5,234)	(7,815)	(4,054)	(17,718)	(16,692)	(18,902)
Cash flow from Financing	(13,715)	(10,335)	(10,729)	(881)	(2,284)	(2,099)
Net cash Inflow/Outflow	541	(968)	759	(1,275)	1,048	3,195
Opening cash	1,491	2,032	1,064	1,823	548	1,596
Closing cash	2,032	1,064	1,823	548	1,596	4,792

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	17.2	19.3	21.3
Book value per share (Rs)	247.5	251.5	277.3	269.2	288.6	309.9
Profitability Ratios						
EBITDAM(%)	11.4	15.1	13.2	18.2	17.4	17.4
PBTM (%)	-2.3	1.9	0.3	6.6	6.4	6.4
NPM (%)	0.1	1.4	0.2	5.4	5.3	5.3
RoE (%)	0.2	1.6	0.2	6.4	6.7	6.9
RoCE (%)	1.9	5.4	3.9	9.0	9.2	9.4
Efficiency Data						
Debt-Equity (x)	0.5	0.5	0.4	0.4	0.4	0.4
Debt/EBITDA (x)	3.8	2.5	2.8	2.0	1.9	1.9
Interest Cover (x)	0.5	1.3	1.0	2.4	2.5	2.5
Fixed Asset (x)	1.1	1.1	1.1	1.0	1.0	0.9
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)	878.3	94.5	579.8	22.7	20.2	18.3
P/BV	1.6	1.6	1.4	1.4	1.4	1.3
EV/EBITDA	15.2	11.1	11.9	8.7	8.0	7.3
EV/Sales	1.7	1.7	1.6	1.6	1.4	1.3

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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