



Nirma Group Company, NVCL is the fifth largest cement company in India and the largest cement company in East India in terms of capacity. The company has robust growth with top line grew by ~15% CAGR (FY19-21). As per Crisil report, cement demand likely to grow by 8-9% across Eastern region in FY21-26E. Being the largest cement manufacturer across Eastern region with 17% market share, NVCL has potential to grow its topline going forward. NVCL has 151 MW captive power capacities comprising of 45 MW WHRS. Moreover, the company utilizes 50% of its power requirement through its captive power generation which lead company to derive operating efficiency. The company's D/E stood at 0.83x in FY2021 and post issue, D/E would stand at ~0.63x. The company would trade at EV/EBITDA of 16.87x for FY21 which is attractive as compared to its peer competitors. We recommend 'SUBSCRIBE' for listing and long term gains.



About the Company

Incorporated in 1999, Nuvoco Vista Corporation Ltd (NVCL), a part of Nirma Group Company is among one of the largest cement companies and concrete manufacturers in India. It offers a diversified range of products such as cement, Ready-mix Concrete (RMX), 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 15,969 dealers and 225 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 MMTA.

Issue details

Price Band (in ₹ per share)	560-570
Issue size (in ₹ Crore)	5000.00
Offer for Sale (in ₹ Crore)	3500.00
Total number of shares (lakhs)	892.86-877.19
Issue open date	09-08-2021
Issue close date	11-08-2021
Tentative date of Allotment	18-08-2021
Tentative date of Listing	23-08-2021
Offer Allocation	QIB - 50 %, Retail- 35%, NII - 15%
No. of shares for QIBs (lakhs)	446.43-438.60
No. of shares for Non-Institutional Investors (lakhs)	133.93-131.58
No. of shares for Retail investors (lakhs)	312.50-307.02
Face value (in ₹)	10.00
Minimum order quantity	26
Amount for retail investors (1 lot)	14560-14820
Maximum number of shares for Retail investors at lower Band	338(13 Lots)
Maximum number of shares for Retail investors at upper band	338(13 Lots)
Maximum amount for retail investors at lower Band-upper band (in ₹)	189280-192660
Exchanges to be listed on	BSE, NSE

Promoters

Niyogi Enterprises Pvt Ltd and Dr. Karsanbhai K Patel

Objective of the Offer

The IPO proceed will be utilized towards following purposes:

- Repayment of certain borrowings INR 1,350 crore
- Offer for sale of Equity Shares aggregating up to INR 3,500 crore
- General corporate purposes

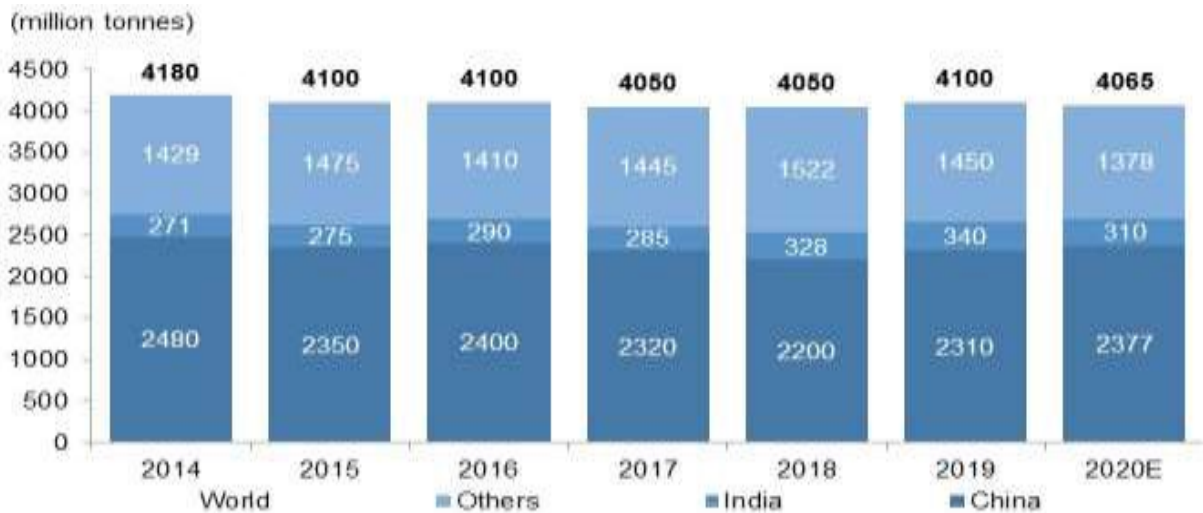
**Brief Financials**

Particulars (Rs. Cr)*	FY21	FY20	FY19
Share Capital	315.09	242.36	200.00
Net Worth	6,959.45	5,414.95	5,126.94
Revenue from Operation	7,488.84	6,793.24	7,052.13
EBITDA	1,494.35	1,333.85	971.44
EBITDA Margin (%)	19.95%	19.63%	13.78%
PAT	(25.92)	249.26	(26.49)
PAT Margin (%)	(0.35%)	3.67%	(0.38%)
EPS(Rs)	(0.82)	10.28	(1.09)
Net Asset Value (Rs)	232.43	217.83	249.41
P/E #	NA	-	-
P/B #	2.45	-	-

Source: RHP, *Restated Consolidated, FV Rs.10/-, # Calculated at the upper price band

Industry Review**The market position of India's cement industry globally**

Global cement production was approximately 4.1 billion metric tons in 2020. Growth of global cement production has remained muted over the past five years.

Estimated trends in global cement production

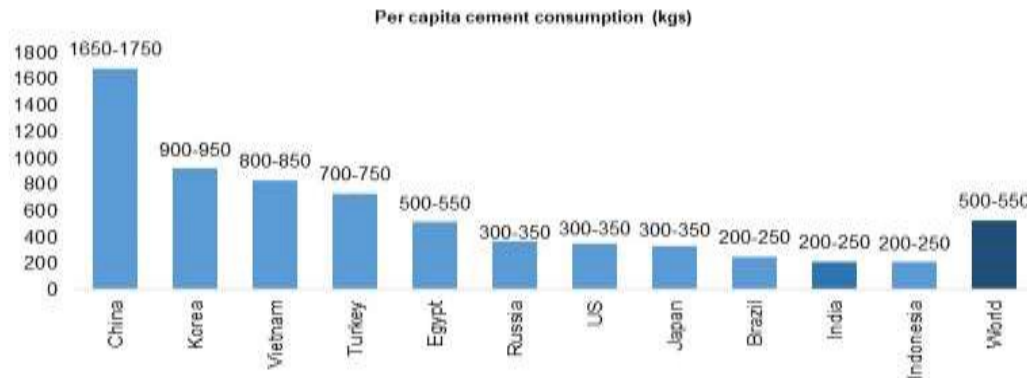
Source: Industry, CRISIL Research, RHP, CBSL



Industry Review

Comparison of per capita cement consumptions across the key cement-producing countries

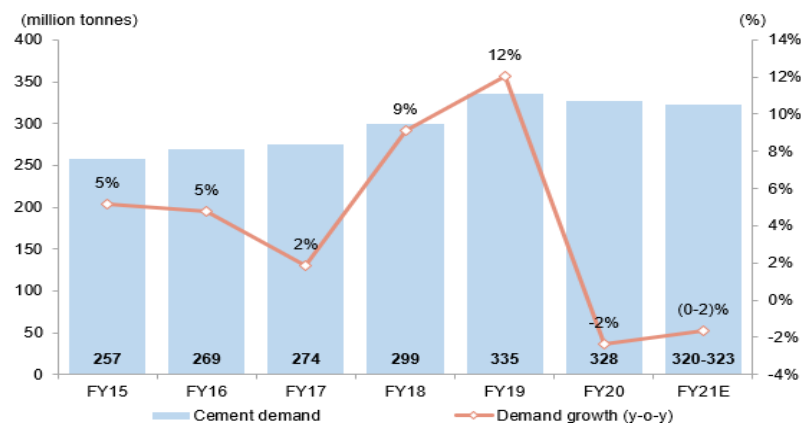
In comparison with the other major cement producing countries, India exhibits the lowest per capita cement consumption at 200 to 250 kg, which is nearly half of world average of 500 to 550 kg. China has the highest per capita cement consumption of 1650 to 1750 kg, followed by Korea at 900 to 950 kg. However, despite a low per capita cement consumption, India is the second largest cement consumer in the world behind China.



Source: Industry, CRISIL Research, RHP, CBSL

The demand outlook for India

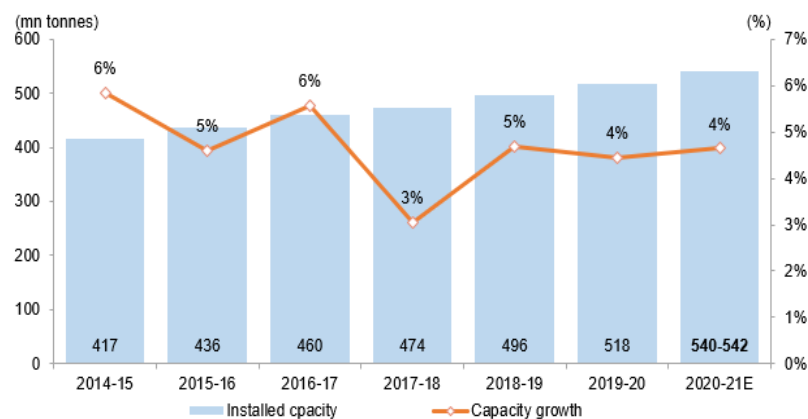
Growth in cement demand for the next five years



Source: Industry, CRISIL Research, RHP, CBSL

An overview of cement supply in India

Historic capacity and capacity growth



Source: Industry, CRISIL Research, RHP, CBSL



Industry Review

Player-wise capacity growth

The large and mid-sized players have used both organic and inorganic route to grow. While Ultratech cement has seen the maximum capacity additions in absolute terms, Nuvoco (consolidated) has grown the fastest in terms of percentage with the total installed capacity doubling over the last 5 years post the acquisition of Emami Cements. Other players like Shree Cements, JK Cement and JK Lakshmi cement has also seen healthy capacity growth led by organic growth as they expanded to newer regions.

(million tonnes)	FY16	FY17	FY18	FY19	FY20	Dec-20
UltraTech Cement Ltd	63.2	66.3	85.0	94.8	111.4	111.4
Lafarge Holcim Group	60.6	60.6	63.1	63.1	63.1	64.2
Shree Cement Ltd	25.6	29.3	34.9	37.9	40.4	40.4
Dalmia Bharat	24.9	24.9	24.9	26.5	26.5	28.5
Nuvoco Vistas	11.0	11.0	11.0	11.8	14.1	22.3
The Ramco Cements Limited	16.5	16.5	16.5	16.7	18.8	19.8
India Cements Ltd	15.6	15.6	15.6	15.6	15.6	15.6
Birla Corporation Ltd (con)	9.8	15.4	15.4	15.4	15.4	15.4
J K Cement Ltd.	10.5	10.5	10.5	10.5	14.0	14.7
JK Lakshmi Cement Ltd (con)	8.6	10.9	10.9	12.5	13.3	13.3
Prism Cements Ltd	5.6	7.0	7.0	7.0	7.0	7.0
Heidelberg Cement India Ltd	5.4	5.4	5.4	5.4	6.3	6.3
Sagar Cement Ltd. (con)	2.9	4.0	4.3	5.8	5.8	5.8

Source : CRISIL Research, Company Annual Reports, RHP, CBSL

Competitive Strengths

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

NVCL maintains their leadership position in East India while growing their business in North India. In addition, their Cement Plants in Chhattisgarh and Rajasthan are ideally placed to serve the adjacent markets of Uttar Pradesh and Madhya Pradesh in Central India and Maharashtra in West India respectively. They also have a third-party procurement agreement for manufacturing and packaging certain cement products in the State of Uttar Pradesh, thereby establishing a presence in the high growth market of Central India.

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, 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 MMTPA of cement in India in FY2021. Of this figure, they sold 13.47 MMTPA in East India, 2.66 MMTPA in North India and 1.13 MMTPA 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.

Strategically located cement plants in close proximity to raw materials and key markets

The 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.



Risk Factors

Presence in highly competitive business environment

NVCL operates and sell its products in highly competitive markets and competition occurs principally on the basis of price, quality, brand name and technology adoption such as energy efficient technologies, cooling technologies and waste utilisation technologies. As a result, to remain competitive in cement markets, the company must continuously strive to manufacture cement and RMX more efficiently by optimising costs of production, transportation and distribution on an ongoing basis, and improving overall operating efficiencies. The company face competition from domestic cement companies which operate in the Indian market, including UltraTech Cement Limited, Shree Cement Limited, Birla Corporation Limited, Dalmia Bharat Cement Limited, Ambuja Cement Limited and other regional players like Wonder.

Dependency on mine leasing for limestone and coal

NVCL is dependent upon its ability to mine/ procure sufficient limestone and coal for operations. The company's inability to procure required raw material on timely manner with reasonable pricing terms could adversely impact overall business, financial condition and results of operations. As of March 31, 2021, it operates 10 limestone mines. For instance, the Indian Bureau of Mines has revoked the approval of mining plans for two mines (ML-2 and ML-3, in relation to which it has received letters of intent), which the company has challenged. Disputes of this nature in the future could adversely impact its ability to mine sufficient limestone.

Inability to effectively integrate operations with acquisitions and achieve operational efficiency may not yield timely or effective results

In July 2020, NVCL has acquired 100% shareholding in NU Vista, with a view to expand operations in the East Indian market and to become a key industry player in India, and to harness synergies resulting from economies of scale. Further, as part of growth strategy, the company may undertake other acquisitions as well. However, there can be no assurance that the company will be able to successfully derive anticipated benefits from such acquisitions, and integrate the acquired business into its existing operations. An inability to integrate company's operations or manage the acquired business may result in increased costs and adversely affect results of operations.

Peer Comparison

Name of the company	Face Value (in ₹)	Total Income (in ₹ crore)	Basic EPS (in ₹)	NAV (in ₹)	P/E	P/B	RoNW (%)
Nuvoco Vistas Corporation#	10	7,522.69	(0.82)	232.43	NA	2.45	(0.35%)
Ultratech Cement#	10	45,459.97	189.33	153.06	40.93	50.63	12.36%
Shree Cement#	10	13,942.66	633.54	428.17	45.98	68.04	14.82%
Ambuja Cement~	2	24,965.76	11.91	14.65	35.18	28.60	10.68%
ACC ~	10	14,002.72	75.98	67.64	31.57	35.46	11.26%

*P/E & P/B ratio based on closing market price as on Aug 4th, 2021, At the upper price band of IPO, #financial details consolidated audited results as on FY21, ~financial details consolidated audited results as on CY20

Our Views

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Sources: Company Website and red herring prospectus



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