

Issue Details

Listing	BSE & NSE
Open Date	9 th Aug 2021
Close Date	11 th Aug 2021
Price Band	INR 560-570
Market Lot	26 shares
Minimum Lot	1 Lot

Issue Structure

Offer for sale	70%
Fresh Issue	30%
Issue Size	INR 5,000 cr
Total no of shares	8,77,19,298
QIB share (%)	≤ 50%
Non-Inst share (%)	≥ 15%
Retail share (%)	≤ 35%

Shareholding Pattern

	Pre (%)	Post (%)
Promoters	95.2	71.0
Public	4.8	29.0

Nuvoco Vistas Corporation Ltd (NVCL) is the fifth largest cement company in India and the largest in East India in terms of capacity. It offers a range of 50 products across cement, RMX and modern building materials. As of 31st Mar 2021, the company has 11 cement plants (8 in East India and 3 in North India) with a cement capacity of 22.32 MMTPA and WHRS capacity of 44.7 MW. Their solar power plants have a capacity of 1.5 MW and their captive power plants can generate up to 105 MW. These contribute nearly 50% of the total power requirement. As a part of the Nirma Group, NVCL has doubled their capacity over the last 5 years through acquisitions such as that of the Indian cement business of LafargeHolcim in 2016 and NU Vista in 2020 making it the fastest growing cement company in India.

Over the period FY19-21, revenue has grown at a CAGR of 3% to INR 7,488.8 cr despite disruptions caused by the Covid-19 pandemic. EBITDA grew at a faster pace of 26.2% to INR 1,460.5 cr (EBITDA margin +650bps to 19.5%, EBITDA/tonne +INR 233 to INR 966 cr).

The company incurred a loss of INR 26.5 cr in FY19, a profit of INR 249.3 cr in FY20 but suffered a loss again in FY21 to the extent of Rs INR 25.9 cr. Deferred tax expense for the year ended March 31, 2021 includes Rs 54.2 cr being one-time tax impact of goodwill taken out of purview of tax depreciation w.e.f. 1 April 2020 by Finance Bill enacted in March 2021.

Investment Rationale:

NVIL has 79% contribution to turnover coming from the trade segment and this is 800bps higher than peers. The trade segment has better realisations which lead to higher profitability.

Over FY15-20, the demand for cement in the Eastern region has grown at a CAGR of 9-10% and is expected to exhibit a robust growth of 8-9% over the next 5 years on the back of infrastructure and housing development projects. The per capita cement consumption of the Eastern region is the lowest and hence provides a huge scope for potential growth. NVIL is well positioned to benefit from this given that it has 8 cement plants in this region. The second fastest in terms in growth is the central region and the NVIL plants in Chhattisgarh and Rajasthan are ideally placed to serve the adjacent markets of UP and MP in Central India.

The company is going through capacity expansion projects in existing grinding units of Jojobera (4.95 MTPA to 6.45 MTPA) and Bhabua (0.8 MTPA



to 2.0 MTPA) which are expected to be operational by FY22 and FY23 respectively. As a result of these expansions, the total capacity will increase to 25.02 MTPA. This capacity expansion along with the captive power projects should help in improving profitability.

Over the period FY21-24, we expect revenue to grow at a CAGR of 16.7% to INR 11,898.5 cr driven by capacity utilizations which is expected to ramp up to 96% by FY24.

EBITDA is expected to grow at 31.0% CAGR to INR 3,285.1cr (EBITDA margin +550bps to 27.6%) by FY24. Reduction in interest expense (due to part repayment of debt from issue proceeds) and the improved operating profitability is expected to help NVCL become profitable in FY22. By FY24, we expect net earnings to grow to INR 1551.1 cr (net profit margin of 13.0%). Operating cash flow is expected to increase to INR 3,389.6 cr by FY24 from INR 1,717.4 cr reported in FY21. Consequently, return ratios RoCE and RoE are set to expand to 14.0% and 13.2% respectively by FY24 from the current negative levels.

The management is looking to raise INR 5000 cr through a maiden public offering (INR 3500 cr through OFS and INR 1500 cr through a fresh issue). The net proceeds from the fresh issue will be utilized for repayment of debt and the balance will go towards other corporate expenses.

Management Team

Key Person	Designation	Education	Experience
Hiren Patel	Chairman & Non Executive Director	Bachelors in Engg from Stevens Institute of Technology, USA and MBA from Drexel University, USA	Been on the board since 2017 and with Nirma group since 1997. He has experience in the cement, consumer goods, chemicals and health care industry.
Jayakumar Krishnaswamy	Managing Director	B-Tech from University of Delhi	On the board since 2018. He is responsible for the cement, RMX and modern building materials division of the company. He has experience across FMCG and paint coating industry.
Maneesh Agarwal	Chief Financial Officer	B-Com from Hansraj College and CA	Joined as CFO in 2017. He is responsible for the overall finance and information management functions of the company. He has previously been associated with Dalmia Bharat Limited and Ballarpur Industries Limited.
Sanjay Joshi	Chief Manufacturing Officer	B-Tech from Nagpur University	Joined as CMO in 2018, he is responsible for the manufacturing function for the cement and RMX business lines. He has experience in the cement industry and has previously been associated with L&T Limited, Thermax Limited, Tata Iron and Steel Company Limited and Century Textiles & Industries Limited.
Rakesh Jain	Chief Sales Officer	B-Com from from Devi Ahilya University, Indore and a master's degree in management studies from Vikram University, Ujjain	Joined in 2007, he is responsible for the sales of cement line of the company. He has experience in sales and marketing of cement manufacturing companies.
Madhumita Basu	Chief Startegy and Marketing Officer	B-Com and MMS from Bombay University	Joined in 2010, she is responsible for strategy and marketing for all businesses of our Company. She is also responsible for heading the innovation at Construction Development and Innovation Centre of our Company. She has experience in strategic planning, sales, marketing, business development and IT.

Source: Company Reports

Issue Structure and Offer Details

The proposed issue size of NVIL's IPO is INR 5,000 cr, out of which INR 1,500 cr is through a fresh issue, while INR 3,500 cr is an offer for sale. The fresh issue comprises of 2,63,15,789 shares at the upper price band of Rs 570. The offer for sale of up to 6,14,03,509 shares is Niyogi Enterprise private ltd. The price band for the issue is in the range of INR 560-570 and the bid lot is 26 shares and multiples thereof.

Issue Structure		
Category	No. of shares offered	% of Issue
QIB	4,38,59,649	50%
Non-Institutional Bidders	1,31,57,895	15%
Retail	3,07,01,754	35%
Total	8,77,19,298	100%

* No of shares based on higher price band of Rs.570

Source: Company Reports & SEBI

Objects of the Offer	
Purpose	Amount (in Rs. cr)
Repayment or prepayment of all or certain of the borrowings	1350.00
General corporate purposes	150.00
Total	1500.00

Source: Company Reports and SEBI

Shareholding Pattern		
Category	Pre Issue	Post Issue
Promoters	95.2%	71.0%
Public	4.8%	29.0%

Source: Company Reports and SEBI

Risks & Concerns – The following risks can have a negative impact on our estimates

1. Covid-19 has severely impacted the construction industry and the continued slowdown could severely impact our profitability forecasts
2. Under-utilization of manufacturing capacities could have adverse impact on our assumptions.

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