

3rd February 2021

CMP – ₹93.6/-

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## Q3FY21 Performance

Orient Cement Ltd reported ~7% Y-o-Y topline growth to ₹6046mn on account of higher sales realization (up 17%YoY) during the quarter. While topline grew by 26.6% Q-o-Q on the back of higher sales volumes which were up 32% on sequential basis.

Sales Volumes for Q3FY21 de-grew by 8% Y-o-Y on account of intense monsoons and higher impact of Covid-19 in key markets such as Maharashtra and Telangana.

EBITDA grew both Y-o-Y and Q-o-Q basis to ₹1367mn from ₹1132mn and ₹550mn in Q2FY21 and Q3FY20 respectively led by lower operating costs. EBITDA margin stood at 22.6% up 1286 bps YoY in Q3FY21.

PAT grew to ₹539mn from ₹348mn and net loss of ₹56mn in Q2FY21 and Q3FY20 respectively on the back of higher operating profitability while PAT margins improved to 8.9% in Q3FY21.

Company's EBITDA per ton stood at ₹1012 per ton compared to ₹372 per ton and ₹1109 per ton in Q3FY21, Q3FY20 and Q2FY21 respectively.

## Important Statistics

<b>Mcaps (₹ Cr)</b>	₹1,917
<b>52 Week H/L (₹)</b>	91.65/35.25
<b>NSE Code</b>	ORIENTCEM
<b>BSE Code</b>	535754

<b>Shareholding pattern (%)</b>	<b>Dec'20</b>
Promoter Holding	37.4
FII	1.5
DII	25.1
Public	36.0

## Key Earnings Highlights

- Company reported 7% Y-o-Y topline growth on the back of higher sales realisation (up 17% Y-o-Y) and 26% Q-o-Q growth primarily on account of higher sales volumes. Management maintained its sales volume guidance to be 5mn MT in FY21 and indicated sales volume to grow YoY in Q4FY21.
- Trade/Non-trade share stood at 52:48 vs 60:40 in Q3FY21 and Q2FY21 respectively. Lower trade sales meant lower proportion of PPC sales (60%) in Q3FY21 vs 65% in Q2FY21.
- During the quarter, Maharashtra contributed ~50% to sales mix followed by Tamil Nadu, Karnataka and Andhra Pradesh (AP). Company highlighted sales volumes grew MoM basis with easing of lockdown restrictions. Volumes in Maharashtra grew more faster due to resumption of infrastructure projects however demand in Telangana continued to decline YoY as projects such as Kaleshwaram Dam have been delayed.
- Capacity utilisations for the quarter stood at 68% vs 51% in Q2FY21. Company's EBITDA per ton stood at ₹1012 per ton compared to ₹1109 per ton and ₹372 per ton in Q3FY21, Q2FY21 and Q3FY20 respectively, the increase YoY basis was on account of higher realization and control in operating expenses.
- Orient Cement reduced its debt by ₹2600mn and thus net debt stands at ₹8.3bn as of Dec'20. Management indicated it is focused to achieve net Debt/EBITDA at 1.7x by FY21E end.
- With leverage in control, management is now looking at implementing growth and cost saving projects such as 10MW WHRS, capex of ₹800-900mn, debottlenecking grinding unit by 0.5mn MTPA at Telangana, setting up 2mn MTPA GU in central India etc with capex of ₹5000-6000mn.

## Financials

<b>Particulars</b>	<b>(₹ mn)</b>		
	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>
Net Sales	22,223	25,222	24,218
EBITDA	3,052	3,120	3,829
EBITAM%	13.7%	12.4%	15.8%
PAT	442	476	866
PATM%	2.0%	1.9%	3.6%
EPS (₹)	2.16	2.32	4.23
ROE (%)	4.3%	4.5%	7.7%
ROCE (%)	7.8%	7.9%	10.7%
P/E (x)	43.4	40.3	22.1
EV/EBITDA (x)	10.3	10.0	7.8

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**Key Risks**

Slower than expected demand recovery in its key markets and 2nd or 3rd wave of Covid-19.

**View**

Company reported strong EBITDA in 9MFY21 despite lockdown restrictions led by Covid-19 on account of higher realization and better cost optimization measures. It also reduced its net debt by ₹2600mn to ₹8300mn in 9MFY21 led by strong operational cashflows and limited capex thereby creating room for growth capex. We believe Orient Cement Ltd to report robust numbers post H2FY21E on account of growing demand and resumption of infrastructure activities in its key markets, increasing penetration of premium cement sales, cost saving initiatives and implementation of growth capex. Management remains focused on net debt reduction and maintaining net debt/EBITDA below 2x which further strengthens our confidence on the stock. **At CMP of ₹93.6 Orient Cements Ltd is trading at ~7.8x FY20 EV/EBITDA which is at discount to its peers and thus recommend investors to ACCUMULATE the stock on dips.**

**Financial Highlights**

	(₹ mn)				
Particulars	Q3FY21	Q2FY21	Q3FY20	Y-o-Y	Q-o-Q
Net Sales	6,046	4,775	5,645	7.1%	26.6%
Total Expenses	4,679	3,643	5,095	-8.2%	28.5%
EBITDA	1,367	1,132	550	148.6%	20.7%
EBITAM%	22.6%	23.7%	9.7%	1286 bps	-110.7bps
Depreciation	360	354	346	3.8%	1.7%
EBIT	1,007	779	203	394.9%	29.3%
EBITM	16.7%	16.3%	3.6%	1305bps	34.9bps
Interest	243	263	311	-21.6%	-7.5%
Other Income	74	27	27	177.6%	174.2%
PBT	837	542	-81	NA	54.4%
Total Tax	299	194	-24	NA	53.8%
PAT	<b>539</b>	<b>348</b>	<b>-56</b>	NA	54.8%
PATM%	8.9%	7.3%	-1.0%	NA	162bps
EPS (₹)	2.63	1.70	-0.28	NA	54.8%

Source – Company Filing, Way2wealth Research

Particulars	Q3FY21	Q2FY21	Q3FY20	Y-o-Y	Q-o-Q
Sales Volumes (mn MT)	1.35	1.01	1.48	-8.8%	32.2%
Sales Realization (₹/ton)	4,479	4718	3817	17.4%	-4.2%
EBITDA (₹/ton)	1,012	1119	372	172.5%	-8.7%
Total Cost (₹/ton)	3,466	3599	3445	0.7%	-2.8%

Source – Company Filing, Way2wealth Research

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**Disclosure of Interest Statement Orient Cement Ltd. as on February 3<sup>rd</sup>, 2021**

Name of the Security	Orient Cement Ltd.
Name of the analyst	Yogita Desai
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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