

3rd February 2022

CMP – ₹172.75/-

View – **Accumulate on dips**
Q3FY22 Performance

- Orient Cement Ltd reported topline growth of 2% Y-o-Y & 0.7% Q-o-Q on the back of higher sales realization. Sales Realizations grew 13.9% Y-o-Y & 5.7% Q-o-Q, to ₹5062/tonne in Q3FY22. Cement volumes de-grew 10.3% Y-o-Y & 4.7% Q-o-Q to 1.22mn tonnes on account of extended monsoon and festive season.
- EBITDA at ₹1175mn, dropped by 14% Y-o-Y and EBITDA margins fell to 19% from 22.6% on account of higher input prices. Company's EBITDA per tonne stood at ₹963/tonne in Q3FY22 vs ₹1005/tonne in Q3FY21 and ₹1047/tonne in Q2FY22.
- Profit after tax dropped 18.9% Y-o-Y to ₹437mn due to lower operating profitability, while PAT margins stood at 7.1% in Q3FY22 down 184 bps Y-o-Y & 221 bps Q-o-Q.

Important Statistics

MCap (₹ Cr)	₹3548.3
52 Week H/L (₹)	185.50/86.25
NSE Code	ORIENTCEM
BSE Code	535754

Shareholding pattern (%)	Dec'21
Promoter	37.37
FII	6.64
DII	15.41
Public	40.59

Key Concall Highlights

- Cement volumes de-grew 10% Y-o-Y & 4% Q-o-Q in Q3FY22 due to extended monsoon and festive season.
- Capacity utilisation for Q3FY22 stood at 57% in Q3FY22.
- Despite sluggish demand in Q3FY22, the company has retained its market share / volume in its core markets and trade segment, as per management.
- Company had taken 5% price hike in October 2021, however raw material price has increased in same period.
- Government clearances for 3mn MTPA Devapur (Telangana) expansion project at a capex of ₹16000mn have been received and management is hopeful of being able to commission the same in FY24
- Company signed MoU with Adani Power Maharastra Ltd to set up 2mn MTPA grinding units at Tiroda, Maharashtra and has applied for clearances to set up plant with capex of ₹5000mn, expected to operationalised in FY24E.
- In 9MFY22, sales volumes are up 20% YoY to 3.9mn MT on a low base with revenue being up 28% YoY to ₹19,200mn. PAT rose 66% YoY to ₹1,900mn.
- The Board has approved an interim dividend of ₹0.75/share with 10th Feb'21 as the record date.
- Gross debt stands at ₹5000mn and net debt at ₹4250mn as of Dec`21. Company has refinanced its long term debt of ₹4000mn at cost lower than 6% enatiling savings of 1.6% on interest cost in Q3FY22.
- The company guided it would achieve 5.7mn MT sales volumes in FY22E. Management is confident of maintaing EBITDA/ton of ₹1100-1200/ton in FY22E.
- Company is working on strategy to increase trade sales to sustain higher realisations.
- Geographic mix in Q3FY22: 55% – Maharashtra/Gujarat, 36% – South and 9% – MP.

Financials

	(₹ mn)		
Particulars	FY19	FY20	FY21
Net Sales	25,222	24,218	23,241
EBITDA	3,120	3,829	5,507
EBITA Margin	12.4%	15.8%	23.7%
PAT	476	866	2,142
PAT Margin	1.9%	3.6%	9.2%
EPS (₹)	2.32	4.23	10.5
ROE (%)	4.5%	7.7%	16.4%
ROCE (%)	7.9%	10.7%	7.8%
P/E (x)	74.5	40.9	16.5
EV/EBITDA (x)	15.2	12.1	7.8

Key Risks

- Slower than expected demand recovery in its key markets.
- Delay in capacity expansion

View

Company reported sluggish numbers in Q3FY22, due to lower demand and higher operating costs, however we believe this as one-off and company to do better going ahead. We envisage Orient Cement Ltd to report better numbers going ahead on account of capex plans, increasing share of premium cement sales and geographical expansion indirectly leading to sales volumes growth. Further budget announcements, higher infra spend by government, focus on affordable and low cost housing bodes well for the sector. **At CMP of ₹172.75, the stock trades at ~7.8x FY21 EV/EBITDA which is discount to its peers and thus recommend investors to ACCUMULATE the stock on dips.**

Financial Highlights

(₹ mn)					
Particulars	Q3FY22	Q2FY22	Q3FY21	Y-o-Y	Q-o-Q
Net Sales	6,175	6,131	6,046	2.1%	0.7%
Total Expenses	5,000	4,791	4,679	6.9%	4.4%
EBITDA	1,175	1,340	1,367	-14.0%	-12.3%
EBITDA Margin	19.0%	21.9%	22.6%	(357 bps)	(281.8 bps)
Depreciation	368	364	360	2.4%	1.1%
EBIT	807	975	1,007	-19.9%	-17.3%
EBIT Margin	13.1%	15.9%	16.7%	(359 bps)	(284 bps)
Interest	158	149	243	-35.1%	6.1%
Other Income	25	30	74	-66.3%	-17.0%
PBT	674	857	837	-19.5%	-21.3%
Total Tax	237	288	299	-20.5%	-17.6%
PAT	437	569	539	-18.9%	-23.2%
PAT Margin	7.1%	9.3%	8.9%	(184 bps)	(221 bps)
EPS (₹)	2.13	2.78	2.63	-18.9%	-23.2%

Particulars	Q3FY22	Q2FY22	Q3FY21	Y-o-Y	Q-o-Q
Sales Volumes (MT)	1.22	1.28	1.36	-10.3%	-4.7%
Realisation per tonne	5,062	4,790	4,446	13.9%	5.7%
EBITDA per tonne	963	1,047	1,005	-4.1%	-8.0%
Total Cost per tonne	4,098	3,743	3,441	19.1%	9.5%

Source: Company Filing, Way2wealth Research

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Disclosure of Interest Statement Indian Orient Cement Ltd. as on February 3rd, 2022

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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