

3rd November 2020

CMP – ₹63.5/-

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Q2FY21 Performance

Orient Cement Ltd reported a ~16% QoQ increase in topline growth to ₹4775mn on account of higher sales volumes (up 25%QoQ) during the quarter. However, on a YoY basis its topline reduced by ~7% on the back of lower sales volumes (down ~18%YoY).

Realisations for the quarter grew ~13% YoY but dropped ~7% QoQ to ₹4677/ton.

Overall operating costs dropped both YoY and QoQ basis by 4% and 6% respectively to ₹3568mn.

EBITDA grew both YoY and QoQ basis to ₹1132mn from ₹536mn and ₹982mn led by lower operating costs and operating profit margins stood at 23.7% in Q2FY21.

Company reported 36% QoQ increase in PAT to ₹348mn and PAT margins improved to 7.3% in Q2FY21 on the back of higher operating profit.

Company's EBITDA per ton stood at ₹1109 per ton compared to ₹432 per ton and ₹1198 per ton in Q2FY21, Q2FY20 and Q1FY21 respectively.

Important Statistics

M.Cap (₹ Cr)	₹1,411.6
52 Week H/L (₹)	89.70/35.25
NSE Code	ORIENTCEM
BSE Code	535754

Shareholding pattern (%)	Sep'20
Promoter Holding	37.4
FII	3.1
DII	26.5
Public	33.0

Key Concall Highlights

- Company reported 16% QoQ topline growth on the back of higher sales volume up ~25% QoQ during the quarter however YoY basis topline decreased. Management guided sales volumes to be 5mn MT in FY21E .
- Trade/Non-trade share stood at 60:40 vs 75:25 in Q2FY21 and Q1FY21 respectively. According to management, return of labour has helped increase non-trade share in the quarter.
- During the quarter, Maharashtra constituted 50% to sales mix followed by Tamil Nadu, Karnataka and Andhra Pradesh (AP). Management indicated demand is expected to bounce back in AP and Telangana in H2FY21E, which will help the company to boost sales volumes and improve performance going ahead.
- Capacity utilisations for the quarter stood around 50% vs 60% same period last year. Company's EBITDA per ton stood at ₹1109 per ton compared to ₹432 per ton and ₹1198 per ton in Q2FY21, Q2FY20 and Q1FY21 respectively, the increase YoY basis was on account of higher realisation and control in operating expenses.
- Orient Cement reduced its debt by ₹1650mn in H1FY21 and thus net debt stands at ₹9300mn as of Sep'20. Management indicated it is focused to achieve net Debt/EBITDA – 2x by FY21E end.
- Management guided it would evaluate and finalise between prepaying debt and considering capex in upcoming quarter.

Financials

(₹ mn)

Particulars	FY18	FY19	FY20
Net Sales	22,223	25,222	24,218
EBITDA	3,052	3,120	3,829
EBITDAM%	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)	29.4	27.4	15.0
EV/EBITDA (x)	8.3	8.0	6.3

Key Risks

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

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Despite Covid-19 disruption company managed to increase EBITDA per tonne to ₹1109 per ton in Q2FY21 (up from ₹432 per ton in Q2FY20) led by higher realisation and cost efficiencies. Company was able to increase its realisation per tonne due to higher proportion of trade mix and premium products. We envisage Orient Cement Ltd to report better numbers post H2FY21E on account of sales volume growth from AP and Telangana, demand recovery in infra and real estate sector, increasing penetration of premium cement sales and cost saving initiatives. Further lower capex spends in FY21E and company's focus on debt reduction would strengthen its balance sheet. **At CMP of ₹63.5 Orient Cements Ltd is trading at ~6.3x FY20 EV/EBITDA which is discount to its peers and thus recommend investors to ACCUMULATE the stock on dips.**

Financial Highlights

(₹ mn)					
Particulars	Q2FY21	Q1FY21	Q2FY20	YOY	QoQ
Net Sales	4,775	4,104	5,150	-7.3%	16.4%
Total Expenses	3,643	3,121	4,614	-21.0%	16.7%
EBITDA	1,132	982	536	111.1%	15.3%
EBITAM%	23.7%	23.9%	10.4%	1329bps	-22bps
Depreciation	354	346	365	-3.1%	2.1%
EBIT	779	636	171	354.6%	22.5%
EBITM	16.3%	15.5%	3.3%	1298bps	81bps
Interest	263	270	320	-17.8%	-2.5%
Other Income	27	56	41	-35.2%	-52.2%
PBT	542	422	-108	NA	28.5%
Total Tax	194	166	-31	NA	17.0%
PAT	348	256	-77	NA	36.0%
PATM%	7.3%	6.2%	-1.5%	NA	105bps
EPS (I)	1.70	1.25	-0.38	NA	36.0%

Source: Company Filing, Way2wealth Research

Particulars	Q2FY21	Q1FY21	Q2FY20	YOY	QoQ
Volumes (mn MT)	1.02	0.82	1.24	-17.7%	24.5%
Realisation per tonne (₹/ton)	4,677	5,004	4,150	12.7%	-6.5%
EBITDA per tonne (₹/ton)	1,109	1,198	432	156.6%	-7.4%
Total Cost per tonne (₹/ton)	3,568	3,807	3,718	-4.0%	-6.3%

Source: Company Filing, Way2wealth Research

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Disclosure of Interest Statement Indian Orient Cement Ltd. as on November 3rd, 2020

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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