

11th May 2023

CMP – ₹126/-

View – Accumulate

Q4FY23 Performance

- The reported PAT of ₹67.4Cr, which dropped by 8% YoY, increased by 145% QoQ over a robust operating profit and increasing other income.
- The volume for Q4FY23 was 1.7 MT, an increase of 20% QoQ and 6% YoY.
- NSR was flat sequentially, up 3% YoY translating to Revenue at ₹881Cr, up 9% YoY and 20% QoQ.
- EBITDA for Q4FY23 was ₹139.5Cr, up 54% sequentially but down 9% YoY. This amounts to an EBITDA margin of 15.9% for Q4FY23 vs 12.3% for the previous quarter indicating a sequential expansion of 358 bps.
- Energy costs at ₹1,620/t increased 20%/2% YoY/QoQ. The cost of logistics increased by 4%/-1% YoY/QoQ to ₹1,364/t due to increased road transport in Q4FY23.
- Other expenses at ₹ 80Cr for Q4FY23 decreased 6%/-2% YoY/QoQ.

Important Statistics

M.Cap (₹ Cr)	₹2,632
52 Week H/L (₹)	149 / 96
NSE Code	ORIENTCEM
BSE Code	535754

Shareholding pattern (%)	Mar'23
Promoters	37.9
FII	7.72
DII	9.53
Gov	0.03
Public	44.81

Management Concall Highlights

- **Capacity Expansion** – With development set to start in Q3FY24, the Chittapur expansion will double the capacity from the existing 3mt (2mt clinker) output. It is advised to postpone Devapur expansion until the grinding unit is built in light of the cancellation of the Tiroda project. The business intends to build a 2mt grinding unit in Madhya Pradesh; construction is scheduled to start in FY26.
- **Volume** – During Q4FY23, the western area supplied 61% of the total volume, and the contribution was 57% for the entire year. The management expects a volume increase of 9–10% YoY in FY24. Clinker utilisation was 98% in Q4FY23 and 78% overall for the year. The utilisation of cement capacity was 80% in the fourth quarter of FY23 and 68% overall.
- **Trade Mix** – The ratio of trade to non-trade mix was 49:51 in Q4FY23 compared to 61:39 YoY. The annual trade selling rate was 54%. The overall rise in the sale of premium items was 22%, and they made up 17% of all trade sales.
- **Cement prices** – Although realisation over the year increased by 3% YoY but remained constant on a QoQ basis, cement prices have remained consistent.
- **Premium Cement Sales** – Premium cement (₹45 per bag higher than PPC) grew by +22% y/y in FY23. Management believes this premium brand strategy will pay back through NSR. Despite relatively greater sales in the non-trade category, higher sales of the premium product contributed to improved realisation throughout the course of the year.
- **Power/Fuel** – Fuel composition for Q4FY23 was 53% domestic coal, 45% pet coke, and the remaining AFR. In Q4FY23, the cost of blended fuel was ₹2.11 kcal/kg, which equates to ₹2.23 kcal/kg in FY23 vs. ₹1.49 kcal/kg in FY22.
- **Freight Cost** – The Lead distance during Q4FY23 was slightly over 300 km. Freight costs increased by 4% on a tonne basis, coming in at ₹1364/tonne QoQ, but decreased by 1%. Due to the lack of rake, the railway mix was 17:83 instead of 25:75 from the previous year.
- **Debt & Interest** – Due to decreased sales and increased costs, the firm produced an Operating Cash Flow of ₹111Cr during the year as opposed to ₹523Cr in FY22. The entire debt was ₹390Cr as of March 31st, 2023; the cash and cash equivalent were ₹70Cr. Management expects debt to be in the range of ₹6bn-7bn towards capacity expansion, with a maximum debt/equity ratio of 1.5x.
- **Capex** – Due to the postponement of the anticipated expenditure, spending was slower than expected in FY23. Management directed CAPEX of ₹1050Cr for FY24E.

Key Metrics

Particulars	(₹ Cr)			
	FY20	FY21	FY22	FY23
Net Sales	2,422	2,324	2,725	2,938
EBITDA	383	551	591	364.5
EBITAM%	15.8	23.7	21.7	12.4
PAT	86.7	214.2	263.3	123
OPM %	16%	24%	22%	12%
EPS (₹)	4.2	10.5	12.9	6
ROE (%)	8	17.7	18.6	7.7
ROCE (%)	6.5	11.9	14.8	11
Net Debt/EBITDA (x)	3.1	1.1	0.4	0.1
EV/EBITDA (x)	9.2	5.4	4.5	7.2

Key Risks

- Inflation in input costs mostly from Power, Freight and Fuel
- Slower than expected demand recovery in its key markets
- An aggressive capex plan necessitates equally aggressive execution

View

The market for cement is anticipated to be strong, driven by rising infrastructure spending and a demand for affordable housing and real estate in the operating region.

The premium cement which used to cost ₹35 more per bag than PPC earlier is now at ₹45 — demand grew by 22% YoY. The management is certain that a higher NSR will result from this premium brand approach, also the premium products that they have, solely been marketed to the consumer operate market through trade sales and B2C sales will not be made available to the B2B market. The firm has projected a volume increase of 8–9% in FY24E, driven mostly by demand in the West and South of its operational zone. Going forward, the input costs may be reduced to some extent by the company's ability to switch and increase alternative cost-effective fuels and by easing fuel prices, notably the 13% decrease in fresh pet-coke procurement. A +50% jump in sequential EBITDA shows that the company is manoeuvring well to get back on track after a couple of rough quarters.

Long-term investors can continue to **Accumulate on dips**, whereas short-term investors intending to exit can book profits at current levels.

We had recommended this stock initially on 07 Aug 2020 when it was trading at ₹ 68.9 levels. Since then, it has appreciated significantly by +87%, reaching a high of 185, the company is currently quoting at a P/E 20.8x FY24E EV/EBITDA of 5.3x.

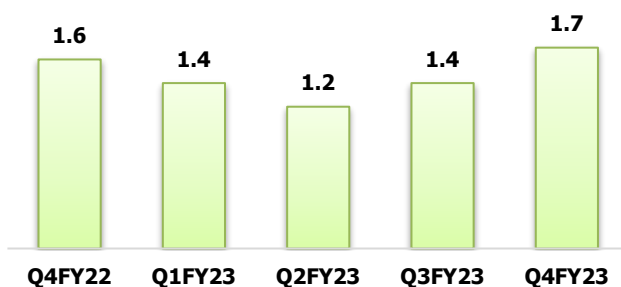
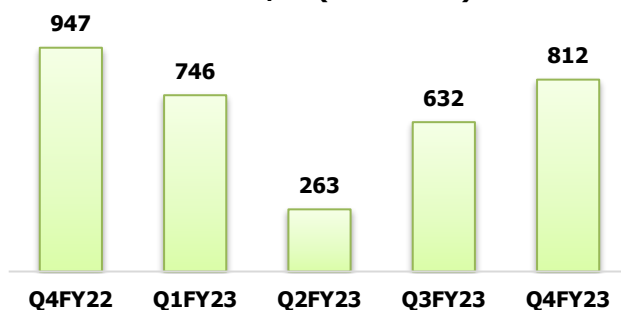
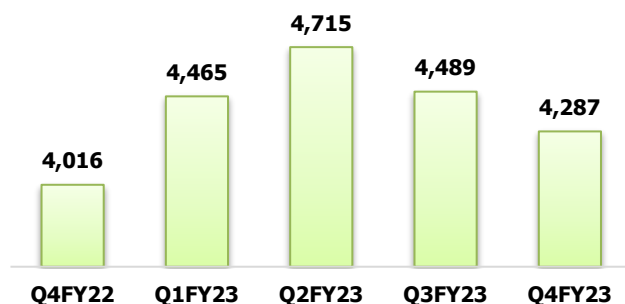
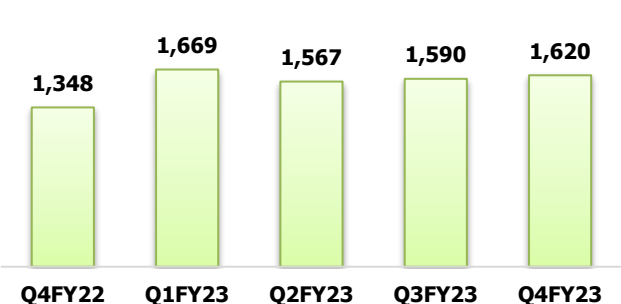
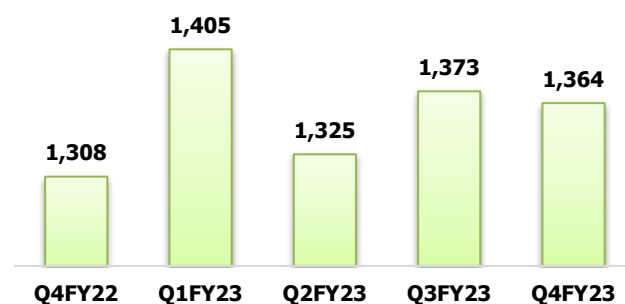
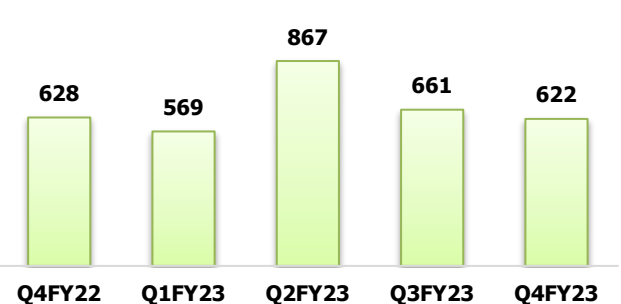
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 View – **Accumulate**
Operational Highlights

Key Metrics	Q4FY23	Q4FY22	YoY %	Q3FY23	QoQ %
Volume/mt	1.72	1.62	6%	1.43	20%
Realisation/tonne (₹)	5099	4,959	3%	5121	0%
Cost/tonne (₹)	4287	4,013	7%	4489	-4%
Raw material/tonne (₹)	622	628	-1%	661	-6%
Staff Cost/tonne (₹)	217	210	3%	298	-27%
Power & Fuel/tonne (₹)	1620	1,347	20%	1590	2%
Freight/tonne (₹)	1364	1,307	4%	1373	-1%
Other Expenses/tonne (₹)	464	522	-11%	567	-18%
EBITDA/tonne (₹)	812	946	-14%	632	29%

Source: Company Filing, Way2wealth Research

Total Volumes (MMT)

EBITDA/te (₹ Blended)

Opex/te (Blended)

Power/te

Freight/te

RM/te


Source: Company Filing, Way2wealth Research

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 View – **Accumulate**
Quarterly Financials

(₹ Cr)

Particulars	Q4FY23	Q3FY23	QoQ %	Q4FY22	YoY %	FY23	FY22	YoY %2
Revenue from operations	876	732	20%	804	9%	2,938	2,725	8%
Other income	5	1	328%	2	144%	12	10	26%
Total income	881	733	20%	806	9%	2950	2735	8%
Cost of materials consumed	127	99	29%	110	15%	403	367	10%
Changes in inventories	-21	-4	372%	-9	140%	-17	-12	38%
Employee benefits expense	37	43	-12%	34	10%	166	152	9%
Finance costs	10	10	-2%	5	95%	38	51	-27%
Depreciation and amortisation expenses	36	37	-2%	37	0%	147	145	1%
Power and Fuel	278	227	22%	218	27%	928	624	49%
Packing freight & forwarding charges	234	196	19%	212	11%	787	712	11%
Other expenses	80	81	-2%	85	-6%	305	291	5%
Total expenses	783	689	14%	692	13%	2758	2331	18%
EBITDA	139.5	90.3	54%	153.3	-9.1%	364.5	591.1	-38.3%
EBITDA %	15.9	12.3	358 bps	19.1	-316 bps	12.4	21.7	-928 bps
Profit before tax	98	45	120%	114	-14%	192	404	-52%
Current tax	34	19	76%	34	-1%	79	85	-7%
Deferred tax	-3	-2	41%	6	-153%	-10	56	-119%
	31	17	81%	41	-24%	69	141	-51%
Net Profit for the period/year	67	28	145%	73	-8%	123	263	-53%
NPM %	7.6	3.8	380 bps	9.1	-150 bps	4.2	9.6	-540 bps
Basic EPS (in ₹)	3.29	1.34	146%	3.57	-8%	5.99	12.85	-53%
Diluted EPS (in ₹)	3.29	1.34	146%	3.57	-8%	5.99	12.85	-53%

Source: Company Filing, Way2wealth Research

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Name of the Security	Orient Cement Ltd.
Name of the analyst	Dhananjay Kansara
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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