

15<sup>th</sup> September 2021

CMP – ₹163.85/-

View – **Accumulate on dips**
**Q1FY22 Performance**

- Orient Cement Ltd reported 68% Y-o-Y topline growth on the back of higher sales volume and low base; however, Q-o-Q basis sales declined by 16.9% due to lockdown restriction led by Covid-19.
- Cement volumes grew 66% Y-o-Y to 1.36m tonnes vs. industry volume growth of 53% in Q1FY22. Sales Realizations grew 12.9% Q-o-Q, 1.4% Y-o-Y in Q1FY22.
- The share of premium cement in trade sales was 8% vs 9% a year ago. However, it touched ~15-18% in the company's core markets (North Telangana/Karnataka, etc.)
- EBITDA at ₹1862mn, grew by 89.6% Y-o-Y and EBITDA margins grew to 27% from 24% on account of strong top-line performance and higher cost absorption. Company's EBITDA per tonne stood at ₹1368 per tonne in Q1FY22 vs ₹1198 per tonne in Q1FY21 and ₹1095 per tonne in Q4FY21.
- While PAT grew by 249% Y-o-Y to ₹895mn driven by growth in EBITDA, aided by reduction in finance cost (down 41% YoY).

**Important Statistics**

<b>M.Cap (₹ Cr)</b>	₹3358
<b>52 Week H/L (₹)</b>	174.0/56.2
<b>NSE Code</b>	ORIENTCEM
<b>BSE Code</b>	535754

<b>Shareholding pattern (%)</b>	<b>Jun'21</b>
Promoter Holding	37.4
FII	4.4
DII	20.6
Public	37.6

**Key Concall Highlights**

- Cement volumes grew 66% Y-o-Y in Q1FY22 (vs. the industry's volume growth of 53%) due to the low base in Orient' operating markets. FY22 volumes are expected at 6mn tonnes, up 20% YoY; Q2 FY22 volumes are expected to be flat Q-o-Q.
- Realisation/tonne grew Q-o-Q due to price hikes in May/Jun'21, vs. price reversal in Feb/Mar'21.
- Q2FY22 realisations would come under pressure due to the monsoon, according to management.
- The proportion of premium cement in trade sales was 8% (9% the previous quarter). However, it touched ~15-18% in the company's core markets (North Telangana/Karnataka, etc.).
- The company repaid debt of ₹1230mn (₹610mn in Q1FY22, ₹610mn in Jul'21), reducing gross debt to ₹6500mn, vs. ₹7740mn at 31st Mar'21. It intends to reduce debt to ₹1000mn in FY22E, leading to a net cash B/S.
- The 0.5mn-tonne de-bottlenecking at Devapur will be completed by end-Aug'21, whereas the WHRS expansion continues to be delayed due to vendor-related issues. FY22 capex is expected at ₹700mn.
- The company intends to have 11.5mn-MTPA capacity by FY24E and 14.5mn MTPA by FY26E. Capex for phase-I would be ₹16000mn (for phase-II, ₹20000mn) funded equally by internal accruals and debt, with net D/E and debt/EBITDA lower at 1.5x and 3x respectively.
- The company acquired a 26% stake in the share capital of AMP Solar Systems Pvt. Ltd. Through a combination of equity shares and CCD at ₹40.5mn.

**Financials**

	(₹ mn)		
<b>Particulars</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>
Net Sales	25,222	24,218	23,241
EBITDA	3,120	3,829	5507
EBITAM%	12.4%	15.8%	23.7%
PAT	476	866	2142
PATM%	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)	70.2	38.6	15.6
EV/EBITDA (x)	14.6	11.6	7.4

**Key Risks**

Slower than expected demand recovery in its key markets and 3<sup>rd</sup> wave of Covid - 19.

**View**

Due to opening up of lockdown, company managed to increase EBITDA per tonne to ₹1368 per tonne in Q1FY22 (from ₹1198 per tonne in Q1FY21) led by higher realization and cost efficiency initiatives. Company was able to increase its realization per tonne due to higher proportion of trade mix and premium products. We envisage Orient Cement Ltd to report better numbers going ahead on capex plans, increasing penetration of premium cement sales and, geographical expansion indirectly leading to sales volumes growth. Further debt reduction from ₹7740mn to ₹6500mn in Q1FY22 and target to reduce it to 1000mn by FY22E boosts our confidence. **At CMP of ₹163.85, Orient Cements Ltd is trading at ~7.4x FY21 EV/EBITDA which is discount to its peers and thus recommend investors to ACCUMULATE the stock on dips.**

**Financial Highlights**

(₹ mn)					
Particulars	Q1FY22	Q4FY21	Q1FY21	Y-o-Y	Q-o-Q
<b>Net Sales</b>	<b>6,909</b>	<b>8,316</b>	<b>4,104</b>	<b>68.4%</b>	<b>-16.9%</b>
Total Expenses	5,047	6,291	3,121	61.7%	-19.8%
<b>EBITDA</b>	<b>1,862</b>	<b>2,025</b>	<b>982</b>	<b>89.6%</b>	<b>-8.1%</b>
<b>EBITDA Margin</b>	<b>27.0%</b>	<b>24.4%</b>	<b>23.9%</b>	<b>301 bps</b>	<b>260bps</b>
Depreciation	353	359	346	2.0%	-1.5%
<b>EBIT</b>	<b>1,509</b>	<b>1,667</b>	<b>636</b>	<b>137.3%</b>	<b>-9.5%</b>
<b>EBITM</b>	<b>21.8%</b>	<b>20.0%</b>	<b>15.5%</b>	<b>634 bps</b>	<b>180bps</b>
Interest	159	159	270	-41.3%	-0.1%
Other Income	21	27	56	-62.6%	-21.1%
PBT	1371	1534	422	225.0%	-10.6%
Total Tax	477	536	166	187.3%	-11.0%
<b>PAT</b>	<b>895</b>	<b>999</b>	<b>256</b>	<b>249.4%</b>	<b>-10.4%</b>
<b>PAT Margin</b>	<b>12.9%</b>	<b>12.0%</b>	<b>6.2%</b>	<b>671 bps</b>	<b>94 bps</b>
EPS (₹)	4.37	4.88	1.25	249.4%	-10.4%
Sales Volumes (MT)	1.36	1.85	0.82	.066%	-26.4%
Realisation (₹/tonne)	5,076	4,495	5,004	1.4%	12.9%
EBITDA (₹/tonne)	1,368	1,095	1,198	14.2%	25.0%
Total Cost (₹/tonne)	3,708	3,400	3,807	-2.6%	9.0%

Source: Company Filing, Way2wealth Research

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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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