

17th August 2023

₹181.80/-

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Q1FY24 Performance

Orient Cement Ltd.'s (OCL) reported no change in PAT for Q1FY24 on YOY basis at ₹37crs.

Volume for Q1FY24 at 1.59 mmt, increased 15% YoY and declined 1.38% QoQ.

NSR for Q1FY24 was 2% up sequentially but flat when compared YoY at ₹ 5193/tonne.

EBITDA for Q1FY24 at ₹99crs, -29%/-3%, QoQ/YoY. This amounts to a drop in EBITDA margin by -390bps/-230bps, QoQ/YoY at 12% for Q1FY24 vs 15.9% for Q4FY23.

Energy costs at ₹1,557/t declined -6%/-4% YoY/QoQ. The cost of logistics increased by 1% sequentially but decreased by -2% YoY to ₹1,372/t due to increased road transport in Q1FY24.

Other expenses at ₹568crs for Q1FY24 significantly jumped 12%/22% YoY/QoQ.

Important Statistics

| | |
|------------------------|-----------|
| M.Cap (₹ Cr) | ₹3,609 |
| 52 Week H/L (₹) | 199 / 105 |
| NSE Code | ORIENTCEM |
| BSE Code | 535754 |

| Shareholding pattern (%) | Jun'23 |
|---------------------------------|---------------|
| Promoters | 37.9 |
| FII | 5.87 |
| DII | 10.64 |
| Gov | 0.03 |
| Public | 45.54 |

Management Concall Highlights

- **Capacity Expansion** – The Commissioning of a Clinker and Grinding unit of 3mtpa each at Chittapur is scheduled for FY26. It is anticipated that work will begin by the end of Q3FY24, once the government has issued environmental certification which will necessitate a capital expenditure of ₹1500crs. OCL is also looking to establish 2 mtpa grinding units in MP, for which it has already finalized the land agreement. OCL is also seeking land in Rajasthan to build cement plants and has set aside ₹100crs for this purpose. A new line in Devapur requires environmental approval from the forest department.
- **Volume** – In July'23, heavy monsoons affected volumes, but Aug'23 is off to a promising start. Volume for Q1FY24 climbed by 15% YoY to 1.59 mtn, owing to higher demand. Cement capacity utilisation for the quarter was 74%. There was a 62% contribution from the western region, 28% from the south, and a 10% contribution from the remainder parts of the nation.
- **Trade Mix** – During Q1FY24, OPC stood at 45% while Blended cement was 55%. The ratio of trade to non-trade mix was 47:53 in Q1FY24 compared to 49:51 QoQ. The annual trade selling rate remained unchanged at 54%.
- **Cement prices** – Although realisation over the quarter increased by 2% QoQ but remained constant on a QoQ basis, cement prices have remained consistent. The improvement in realisation is due to an increase in premium sales.
- **Premium Cement Sales** – Premium cement products, mainly Strongcrete & OreintGreen are sold at ₹45 & ₹25 per bag higher OPC. The overall rise in the sale of premium cement was 34%, and they made up 20% of all trade sales. In Q1FY24, B2C demand was weak while B2B demand was robust.
- **Power/Fuel** – Fuel composition for Q1FY24 was 53% domestic coal, 36% pet coke, and the remaining AFR. Pet coke costs have lately dropped by 15%, and the effect of decreased pricing will be noticed in the coming quarter. It is expected that the WHRS facility at the Chitapur plant would be operational in Q2FY24, resulting in an annual savings of ₹3crs in power/fuel expenditures for FY24E.
- **Freight Cost** – Transportation cost increased owing to plant shutdown and clinker transport from Devapur to Chittapur which was one of cost, lead distance

Key Metrics

| | (₹ Cr) | | | |
|---------------------|-------------|-------------|-------------|-------------|
| Particulars | 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 |
| 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 |

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during Q1FY24 was slightly over 300 km. Freight costs increased by 1% sequentially on a tonne basis, coming in at ₹1372/tonne in Q1FY24 from ₹1364/tonne. The Rail:Road mix came to 15:85 in Q1FY24 from 17:83 sequentially.

- **Debt & Interest** – The company's overall debt, including a working capital loan, amounted to ₹250crs as of June 30th, 23.
- **Capex** – Management guided CAPEX for FY24 to be around ₹1050crs.

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

Improved top-line performance is hampered by higher costs. The Chittapur maintenance shutdown took a toll on OCL's EBITDA for Q1FY24 which declined - 29%/-3%, QoQ/YoY. EBITDA margin declined from 15.9% in Q4FY23 vs 12% in Q1FY24. The management decided to take the one time hit from freight expense to transport and supply of clinker to Devapur from Chittapur to service the demand from loyal clientele despite operational challenges. The business anticipates volume growth of 8-9% in FY24E, driven by improved demand in its operational region, especially the West.

We had recommended this stock initially on 07 Aug 2020 when the stock was trading at ₹68.9 levels. Since then, it has appreciated significantly by +175%, reaching a high of ₹199, Hence we recommend investors to BOOK PROFIT at current levels. Even as the fundamentals looks intact.

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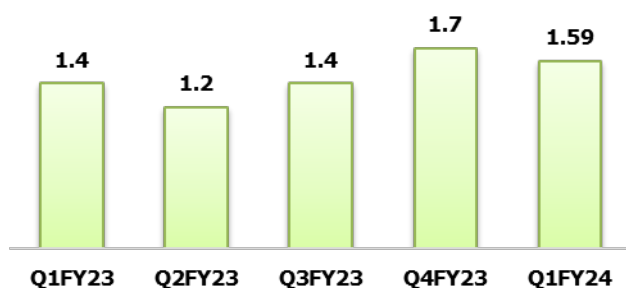
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Operational Highlights

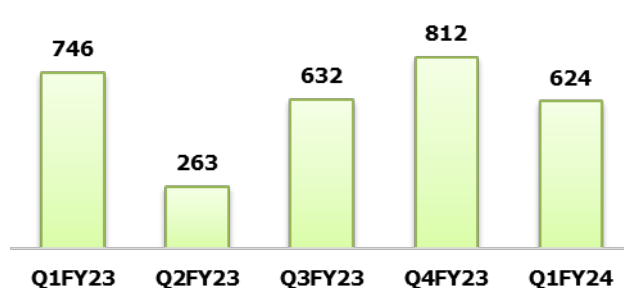
| (₹ Cr) | Q1FY24 | Q4FY23 | Q1FY23 | % Chg QoQ | % Chg YoY |
|---------------------------|--------|--------|--------|-----------|-----------|
| Volume/mnt | 1.59 | 1.72 | 1.38 | -8% | 15% |
| Realisation/tonne (₹) | 5193 | 5,099 | 5189 | 2% | 0% |
| Cost/tonne (₹) | 4569 | 4,287 | 4446 | 7% | 3% |
| Raw material/tonne (₹) | 774 | 622 | 566 | 24% | 37% |
| Staff Cost/tonne (₹) | 296 | 217 | 312 | 37% | -5% |
| Power & Fuel/tonne (₹) | 1557 | 1,620 | 1662 | -4% | -6% |
| Freight/tonne (₹) | 1372 | 1,364 | 1399 | 1% | -2% |
| Other Expenses /tonne (₹) | 568 | 464 | 506 | 22% | 12% |
| EBITDA/tonne (₹) | 624 | 812 | 743 | -23% | -16% |

Source: Company Filing, Way2wealth Research

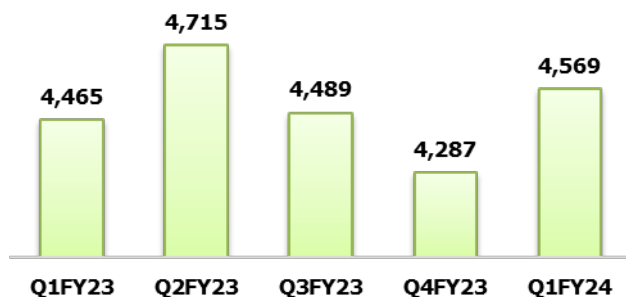
Total Volumes (MMT)



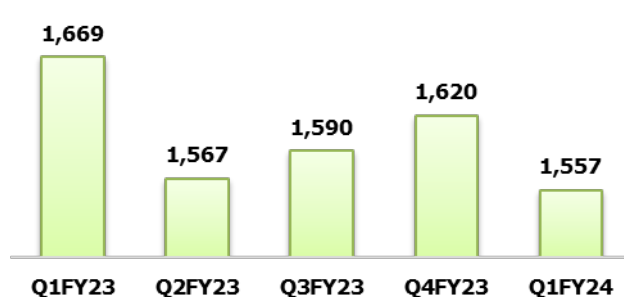
EBITDA/te (₹ Blended)



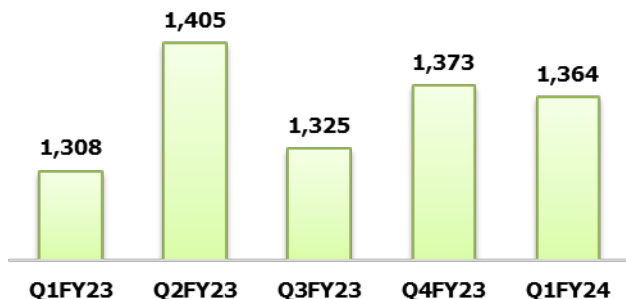
Opex/te (Blended)



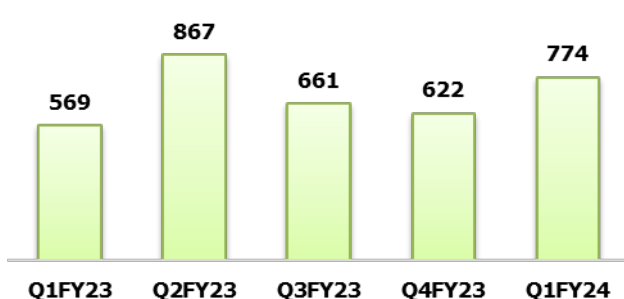
Energy/te



Freight/te



RM/te



Source: Company Filing, Way2wealth Research

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Quarterly Financials

(₹ Cr)

| Particulars | Q1FY24 | Q1FY23 | YoY | Q4FY23 | QoQ | FY23 | FY22 | YoY |
|----------------------------------------------------|--------|--------|-------|--------|-------|------|-------|-------|
| Income | | | | | | | | |
| Revenue from operations | 825 | 714 | 16% | 876 | -6% | 2938 | 2725 | 8% |
| Other income | 4 | 1 | 266% | 5 | -9% | 12 | 10 | 20% |
| Total income | 830 | 715 | 16% | 881 | -6% | 2950 | 2735 | 8% |
| Expenses | | | | | | | | |
| Cost of materials consumed | 118 | 94 | 25% | 127 | -8% | 403 | 367 | 10% |
| Changes in inventories | 6 | -16 | -134% | -21 | -127% | -17 | -12 | 42% |
| Employee benefits expense | 47 | 43 | 10% | 37 | 26% | 166 | 152 | 9% |
| Finance costs | 10 | 8 | 21% | 10 | 1% | 38 | 51 | -26% |
| Depreciation and amortisation expenses | 37 | 36 | 1% | 36 | 1% | 147 | 145 | 1% |
| Power and Fuel | 247 | 229 | 8% | 278 | -11% | 928 | 624 | 49% |
| Packing, freight & forwarding charges | 218 | 193 | 13% | 234 | -7% | 787 | 712 | 11% |
| Other expenses | 90 | 70 | 30% | 80 | 13% | 305 | 291 | 5% |
| Total expenses | 772 | 656 | 18% | 783 | -1% | 2758 | 2331 | 18% |
| Profit before tax | 57 | 59 | -3% | 98 | -42% | 192 | 404 | -52% |
| Tax expenses | | | | | | | | |
| Current tax | 22 | 24 | -8% | 34 | -35% | 79 | 85 | -6% |
| Deferred tax | -2 | -3 | -20% | -3 | -34% | -10 | 56 | -118% |
| Total Tax | 20 | 22 | -7% | 31 | -35% | 69 | 141 | -51% |
| Net Profit | 37 | 37 | -1% | 67 | -45% | 123 | 263 | -53% |
| Other Comprehensive Income | | | | | | | | |
| Remeasurement gain/(loss) on defined benefit plans | -0.5 | 0 | 20% | 3 | -115% | 2 | 4 | -49% |
| Income tax effect | 0.2 | 0 | 20% | -1 | -116% | -0.7 | -1 | -29% |
| Other Comprehensive Income (net of tax) | -0.3 | -0.2 | 20% | 2 | -115% | 1.3 | 24 | -94% |
| Total Comprehensive Income for the period | 37 | 37 | -1% | 69 | -47% | 124 | 266 | -53% |
| Other Equity | | | | | | 1583 | 1505 | 5% |
| Earning Per Share | 1.81 | 1.83 | -1% | 3.29 | -45% | 5.99 | 12.85 | -53% |

Source: Company Filing, Way2wealth Research

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Disclosure of Interest Statement Orient Cement Ltd. as on August 17th, 2022

| | |
|------------------------------------------------------------------------|--------------------|
| 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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| Investment Banking relationship with company covered | NIL |

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