

18th May 2022

CMP – ₹121/-

View – Buy on dips

Q4FY22 Performance

- Orient Cement Ltd. reported revenue of ₹804Cr; decline by 3.3% Y-o-Y on the back of lower sales volume; however, Q-o-Q basis sales increased by 30%
- Cement volumes at 1.62 mn tons, declined by 12% yoy led by weak demand in Southern states during the quarter. Realization declined 2.2% qoq to ₹4,959/ton
- EBITDA at ₹153Cr, declined by 24% Y-o-Y and EBITDA margins fell to 19.1% from 24% on account of higher input prices. Company's EBITDA per tonne stood at ₹946 per tonne down by 14% YoY and down 2% QoQ.
- Profit after tax declined by 27% Y-o-Y to ₹73Cr, however, QoQ basis PAT increased by 68%, aided by reduction in finance cost (down 69% QoQ).

Important Statistics

M.Cap (₹ Cr)	₹2,481
52 Week H/L (₹)	186/113
NSE Code	ORIENTCEM
BSE Code	535754

Shareholding pattern (%)	Mar'22
Promoter Holding	37.4
Institutions	21.4
Public	41.3

Management Concall Highlights

- **Capacity Expansion** – The proposed expansion plan of 2 mntpa (Clinker) and 1 mntpa (Grinding) at the Devapur facility is expected to be operational towards the end of FY24 at a capital outlay of ₹1,600Cr.
- Earlier the company had signed an MOU with Adani Power Maharashtra Limited to setup 2 mntpa grinding units at Tiroda, Maharashtra and will entail a capital cost of around ₹600Cr and is expected to be operationalized by H2FY24
- 10 MW WHRS remains on track for commissioning by FY2023-end.
- **Volume** – Volumes at 1.62 mn tons declined 12% yoy (+33% qoq), due to sluggish demand in Southern markets and on full year basis it declined by 24%.
- **Market Mix** – Market mix during the quarter stood at 53% Maharashtra, 37% South and the balance 9% Central India.
- **Product Mix** – The company is working on a strategy to increase trade sales to sustain superior realizations. Share of blended cement declined qoq to 63% from 67% in 3QFY22 while trade sales were flat qoq at 60%. ORCMNT aims to increase the share of trade sales to 65% in the next two years
- **Cement prices** – Management mentioned that prices in April were flat on a qoq basis. Also a company has taken marginal price hikes in April 2022 in West India. Management expects prices to remain elevated due to input cost pressures from higher costs for diesel, coal and pet coke.
- **Premium Cement Sales** – The overall premium cement sales mix during the quarter was 14% of a trade sale against 12% QoQ. The company intends to take the share of premium cement to 15-16% of trade sales moving ahead.
- **Power/Fuel** – During the quarter, Power/fuel cost was higher by 56% QoQ and 30% YoY as prices of imported Coal and Pet Coke continued to rise. Management expects costs to remain elevated in 1HFY23 and expects some moderation from 2HFY23E
- The impact of higher fuel prices (pet coke/thermal coal) shall be partly offset by the higher use of other alternative fuels and higher captive power.
- The solar power plant in Jalgaon was commissioned and the unit started to receive solar power from the plant. WHRS plant in Chitapur will be commissioned by FY23 end and the full impact of the same will be visible in FY24 in terms of savings in the power cost.

Financials

	(₹ Cr)		
Particulars	FY20	FY21	FY22
Net Sales	2,422	2,324	2,725
EBITDA	383	551	591
EBITAM%	15.8	23.7	21.7
PAT	86.7	214.2	263.3
PATM%	3.6	9.2	9.7
EPS (₹)	4.2	10.5	12.9
ROE (%)	8	17.7	18.6
ROCE (%)	6.5	11.9	14.8
P/E (x)			
Net Debt/EBITDA (x)	3.1	1.1	0.4
EV/EBITDA (x)	9.2	5.4	4.5

- **Freight Cost** – Freight and packing cost is expected to remain elevated with elevated diesel prices and rising packaging cost
- **Debt & Interest** – The company's total finance cost dropped 69% to ₹4.9Cr in Q4FY22 from ₹15.8Cr in Q3FY22 owing to a reduction in the interest cost and debt repayment. The Net debt as of Mar'22, stands ₹250Cr down from ₹500Cr in Q3FY22. The planned capacity expansion will be funded through internal accrual and debt.
- **Guidance** – The company is confident of achieving 6.1-6.2 mn MT sales volumes in FY23E and company's EBITDA/tonne is expected to stay in range of 1000-1100per tonne in FY23.

Key Risks

Slower than expected demand recovery in its key markets

View

The company's premium cement portfolio is growing well and an attempt to increase trade sales augur well from a realization perspective. The overall premium cement sales mix during the quarter was 14% of a trade sale against 12% QoQ. The company intends to take the share of premium cement to 15-16% of trade sales moving ahead. Furthermore, robust free cash flow in last few years helped to reduced its net debt/EBITDA ratio to 0.4x in FY22 against 5.9x in FY18.

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 net debt reduction from ₹632Cr to ₹250Cr in FY22 boosts our confidence. **The recent fall in the stock price also makes the valuation attractive. At CMP of ₹121, Orient Cements Ltd is trading at ~4.5x FY22 EV/EBITDA and we recommend investors to BUY the stock on dips.**

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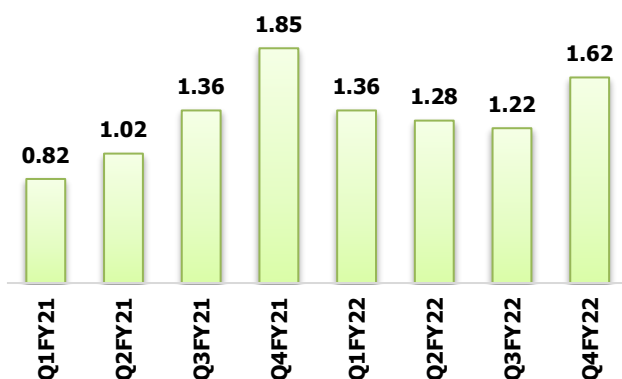
View – Buy on dips

Financial Highlights

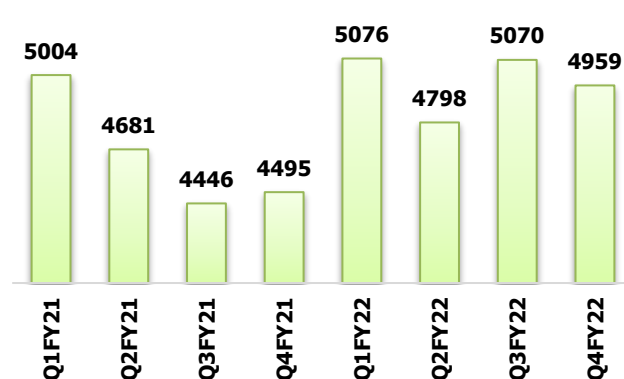
Volume/Realization/Cost Analyses	Q4FY22	Q4FY21	YoY	Q3FY21	QoQ
Sales Volumes (MT)	0.162	0.185	-12.43%	0.122	32.79%
Realisation (₹/tonne)	4,959	4,495	10.32%	5,070	-2.19%
EBITDA (₹/tonne)	946	1,095	-13.61%	965	-1.97%
Total Cost (₹/tonne)	4,016	3,400	18.09%	4,098	-2.02%
Raw material/tonne	628.5	612.1	2.67%	696.0	-9.70%
Staff Cost/tonne	209.6	224.6	-6.69%	340.7	-38.46%
Power & Fuel/tonne	1,347.7	906.7	48.64%	1,146.8	17.52%
Freight/tonne	1,307.8	1,243.0	5.22%	1,298.9	0.69%
Other Expenses /tonne	521.9	413.9	26.08%	616.0	-15.27%

Source: Company Filing, Way2wealth Research

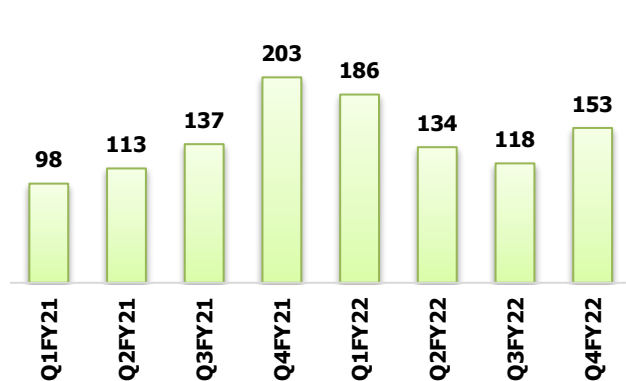
Volume (mntpa)



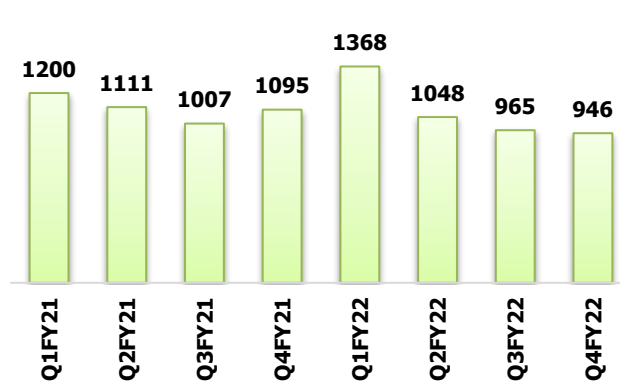
Realisation/Tonne (₹)



EBITDA (₹ Cr)



EBITDA/Tonne (₹)



Source: Company Filing, Way2wealth Research

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Quarterly Financial

(₹ cr)

Particulars	Q4FY22	Q4FY21	VAR	Q3FY22	VAR	FY22	FY21	VAR
Revenue From Operation	803.9	831.6	-3.3%	617.5	30.2%	2,725.4	2,324.1	17.3%
Other Income	2.0	2.7	-25.2%	2.5	-19.8%	9.6	18.4	-47.9%
TOTAL INCOME	805.9	834.3	-3.4%	620.0	30.0%	2,735.0	2,342.4	16.8%
Cost Of Materials Consumed	110.4	112.6	-2.0%	79.0	39.7%	367.0	304.2	20.6%
Purchase of stock in trade			#DIV/0!		#DIV/0!	0.0	0.0	#DIV/0!
Stock Adjustment	(8.6)	0.6	-1526.7%	5.9	-244.4%	(12.3)	20.5	-160.1%
<i>RMC as a % of sales</i>	<i>12.7%</i>	<i>13.6%</i>		<i>13.7%</i>		<i>13.0%</i>	<i>14.0%</i>	
Employee Benefit Expenses	34.0	41.6	-18.3%	41.6	-18.3%	152.4	152.5	-0.1%
<i>EPC as a % of sales</i>	<i>4.2%</i>	<i>5.0%</i>		<i>6.7%</i>		<i>5.6%</i>	<i>6.6%</i>	
Power & Fuel Expenses	218.3	167.7	30.2%	139.9	56.1%	624.4	450.6	38.6%
<i>Power & Fuel as a % of sales</i>	<i>27.2%</i>	<i>20.2%</i>		<i>22.7%</i>		<i>22.9%</i>	<i>19.4%</i>	
Packing, Freight& Forwarding Expenses	211.9	230.0	-7.9%	158.5	33.7%	711.6	608.9	16.9%
<i>Freight, packing exp as a % of sales</i>	<i>26.4%</i>	<i>27.7%</i>		<i>25.7%</i>		<i>26.1%</i>	<i>26.2%</i>	
Other Expenses	84.6	76.6	10.4%	75.2	12.5%	291.2	236.6	23.1%
<i>Other Expenses as a % of sales</i>	<i>10.5%</i>	<i>9.2%</i>		<i>12.2%</i>		<i>10.7%</i>	<i>10.2%</i>	
TOTAL EXPENDITURE	650.5	629.1	3.4%	500.0	30.1%	2,134.4	1,773.4	20.4%
EBIDTA	153.3	202.6	-24.3%	117.5	30.5%	591.0	550.7	7.3%
<i>EBIDTA Margins %</i>	<i>19.1%</i>	<i>24.4%</i>		<i>19.0%</i>		<i>21.7%</i>	<i>23.7%</i>	
Finance Costs	4.9	15.9	-69.2%	15.8	-69.0%	51.4	93.6	-45.0%
PBDT	150.4	189.3	-20.5%	104.2	44.3%	549.2	475.5	15.5%
Depreciation	36.6	35.9	2.1%	36.9	-0.7%	145.2	141.9	2.4%
PBT	113.8	153.5	-25.8%	67.4	69.0%	404.0	333.7	21.1%
Tax	40.6	53.6	-24.2%	23.7	71.3%	140.8	119.4	17.9%
<i>Tax Rate</i>	<i>35.7%</i>	<i>34.9%</i>		<i>35.2%</i>		<i>34.8%</i>	<i>35.8%</i>	
Reported Profit After Tax from Continuing Operation	73.2	99.9	-26.7%	43.7	67.7%	263.2	214.3	22.9%
<i>PATM %</i>	<i>9.1%</i>	<i>12.0%</i>		<i>7.1%</i>		<i>9.7%</i>	<i>9.2%</i>	
Other Comprehensive Income (Net of tax)- net credit / (charge)	3.2	(0.3)		0.3		2.4	(1.0)	
Total Comprehensive Income	76.5	99.6	-23.3%	44.0	73.9%	265.6	213.2	24.6%
EPS	3.6	4.9	-26.7%	2.1	67.7%	12.8	10.5	22.9%
Equity	20.5	20.5		20.5		20.5	20.5	
Face Value	1.0	1.0		1.0		1.0	1.0	

Source: Company Filing, Way2wealth Research

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Disclosure of Interest Statement Indian Orient Cement Ltd. as on May 18th, 2022

Name of the Security	Orient Cement Ltd.
Name of the analyst	Ashwini Sonawane
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
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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