

28th October 2021

CMP – ₹160.9/-

View – **Accumulate on dips**
Q2FY22 Performance

- Orient Cement Ltd reported 28% Y-o-Y topline growth on the back of sales volume (up 25% YoY) however declined 11% Q-o-Q in Q2FY22.
- Cement volumes grew 25% Y-o-Y to 1.28 mn tonnes in Q2FY22, however mildly lower due to lower volumes made in Sep`21. Sales Realizations grew 3% Y-o-Y, but down 5% Q-o-Q in Q2FY22.
- EBITDA at ₹1340mn, grew by 18% Y-o-Y while EBITDA margins fell to 22% from 24% on account of higher input prices. Scarcity of domestic coal and higher costs have impacted margins. Company's EBITDA per tonne stood at ₹1048 per tonne in Q2FY22 vs ₹1368 per tonne in Q1FY21 and ₹1111 per tonne in Q2FY21.
- Profit after tax grew by 63% Y-o-Y to ₹569mn driven by growth in EBITDA, aided by reduction in finance cost (down 43% YoY).

Important Statistics

| | |
|------------------------|------------|
| M.Cap (₹ Cr) | ₹3180 |
| 52 Week H/L (₹) | 173.4/60.8 |
| NSE Code | ORIENTCEM |
| BSE Code | 535754 |

| Shareholding pattern (%) | Sep'21 |
|---------------------------------|---------------|
| Promoter Holding | 37.4 |
| FII | 4.4 |
| DII | 20.6 |
| Public | 37.6 |

Key Concall Highlights

- Cement volumes grew 25% Y-o-Y led by strong volumes in July`21 and August`21 in its operating markets. As per management, H2 FY22 volumes are expected to be better than H1FY22.
- Company has not been able to pass on raw material costs in Q2FY22.
- Heavy rains in Sep`21 hurt quarterly Q2FY22 sales volumes, thus sales volumes are mildly lower (QoQ and YoY).
- Company has taken 5% price hike in Oct`21, however raw material price has increased in same period.
- Company used its FCF and cash balance to reduce gross/net debt by 25% / 10% (vs. Mar`21) to ₹6000mn.
- Capex plan for coming 3 years: is as follows: ₹1000mn for 10MW WHRS in Karnataka (by end FY23E), ₹5000mn for 2mn MT SGU in Tirori (Maharashtra) and ₹16000mn for 2/1.5mn MT clinker/cement capacity in Devapur (Telangana) both by FY24E.
- The company is confident of achieving 6mn MT sales volumes in FY22.
- According to management, company's EBITDA./t is expected to stay in range of ₹1100-1200per tonne in H2FY22 taking costs into account.

Financials

| Particulars | FY19 | FY20 | FY21 |
|--------------------|-------------|-------------|-------------|
| Net Sales | 25,222 | 24,218 | 23,241 |
| EBITDA | 3,120 | 3,829 | 5507 |
| EBITDAM% | 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) | 67.6 | 37.1 | 15.3 |
| EV/EBITDA (x) | 14.2 | 11.3 | 7.2 |

Key Risks

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

View

Company reported subdued EBITDA per tonne and EBITDA margins led by higher input prices however management is confident of achieving better numbers going ahead. Capex plan of 3 years such as ₹1000mn for 10MW WHRS in Karnataka (by end FY23E), ₹5000mn for 2mn MT SGU in Tirori (Maharashtra) and ₹16000mn for 2/1.5mn MT clinker/cement capacity in Devapur (Telangana) – both by FY24E, a key growth driver. We envisage Orient Cement Ltd to report better numbers going ahead led by capex plans, increasing penetration of premium cement sales and, geographical expansion indirectly leading to sales volumes growth. Further debt reduction plan from ₹7740mn to ₹6000mn in Q2FY22 and target to reduce it to ₹1000mn by FY22E boosts our confidence. **At CMP of ₹160.9, Orient Cements Ltd is trading at ~7.4x FY21 EV/EBITDA and 15.3 P/E which is discount to its peers and thus recommend investors to ACCUMULATE the stock on dips.**

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View – Accumulate on dips

Financial Highlights

| | Q2FY22 | Q1FY22 | Q2FY21 | YoY | QoQ |
|-----------------------|--------|--------|--------|--------|--------|
| Sales Volumes (MMT) | 1.28 | 1.36 | 1.02 | 25.2 % | -6.1% |
| Realisation (₹/tonne) | 4798 | 5076 | 4677 | 2.6% | -5.5% |
| EBITDA (₹/tonne) | 1048 | 1368 | 1111 | -5.6% | -23.4% |
| Total Cost (₹/tonne) | 3,749 | 3,708 | 3,566 | 5.1% | 1.1% |

Source: Company Filing, Way2wealth Research

(₹ mn)

| Standalone | Q2FY22 | Q1FY22 | Q2FY21 | YoY | QoQ |
|----------------------|---------------|---------------|---------------|------------------|-----------------|
| Net Sales | 6,131 | 6,909 | 4,775 | 28.4% | -11.3% |
| Expenditure | 4,791 | 5,047 | 3,643 | 31.5% | -5.1% |
| EBITDA | 1,340 | 1,862 | 1,132 | 18.3% | -28.1% |
| EBITDA Margin | 21.85% | 26.95% | 23.71% | (510 bps) | (186bps) |
| Depreciation | 364 | 353 | 354 | 3.0% | 3.1% |
| EBIT | 975 | 1,509 | 779 | 25.3% | -35.4% |
| EBIT Margin | 15.91% | 21.84% | 16.31% | (593bps) | (39bps) |
| Interest | 149 | 159 | 263 | -43.5% | -6.2% |
| Other income | 30 | 21 | 27 | 11.3% | 42.3% |
| PBT | 857 | 1,371 | 542 | 58.0% | -37.5% |
| Tax | 288 | 477 | 194 | 48.2% | -39.7% |
| Tax Rate | 33.59% | 34.77% | 35.79% | (117bps) | (219) bps |
| PAT | 569 | 895 | 348 | 63.4% | -36.4% |
| PAT Margin | 9.28% | 12.95% | 7.29% | (366bps) | 198bps |
| EPS (₹) | 2.73 | 3.03 | 1.70 | 60.5% | -9.9% |

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Disclosure of Interest Statement Indian Orient Cement Ltd. as on October 28th, 2021

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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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