

Orient Cement Ltd.

Nifty	9,490
Sensex	32,201

Key Stock Data

CMP	₹44.7
Market Cap (₹mn)	9229
52W High/Low	125.0/35.3

Shareholding pattern Mar 2020

Promoters	37.4%
FII	7.5%
DII	27.8%
Public & Others	27.3%

(₹ mn)

Particulars	FY18	FY19	FY20
Net Sales	22,223	25,222	24,218
EBITDA	3,052	3,120	3,829
Net Profit	442	476	866
EPS (₹/ share)	2.2	2.3	4.2
RoNW (%)	4.3%	4.5%	7.8%
RoCE (%)	7.8%	7.9%	10.7%
EV/EBITDA (x)	7.0	6.8	5.3

Source: Company Data, Way2Wealth Inst Equity

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Key Result Highlights – Q4FY20

- Orient Cement's top-line de-grew by ~13% Y-o-Y to ₹6545mn primarily on the back of decline in sales volume. Sales volume plunged 14.2% YoY to 1.57mn MT due to combination of weak demand in South India and nationwide shutdown (led by Covid-19 pandemic) in last week of March 2020. However, realisations were up marginally by 1-2% YoY to ₹4169/MT on account of higher sales from higher price markets.
- EBITDA in Q4FY20 stood at ₹1247mn down 18.5% Y-o-Y on the back of sales decline however it inched higher 127% QoQ primarily on the back of lower raw material costs which plunged 26% QoQ to ₹468mn in Q4FY20. Further higher realization and lower raw material costs on QoQ basis led to higher EBITDA/ton which increased 114% QoQ to ₹794/MT from ₹372/MT in Q3FY20.
- Company's PAT plunged 29% Y-o-Y to ₹441mn on account of sales decline and PAT margins dropped to 6.7% in Q4FY20.

Earnings Highlights

- **Sales volume decline impacted the Top-line performance** – Orient Cement's top-line plunged ~13% Y-o-Y in Q4FY20 to ₹6,545mn from ₹7,508mn primarily on the back of decline in sales volume by 14% YoY to 1.57 mn MT due to nationwide shutdown (Covid-19 pandemic) in last week of March 2020 while coupled with weak demand in South India. However, realisations stood higher by 1-2% YoY & 9.3% QoQ to ₹4,169/MT from ₹4,103/MT & ₹3,814/MT in Q4FY19 & Q3FY20 respectively. For FY20, top-line stood at ₹24,218mn down~4%YoY from ₹25,222mn in FY19.
- **Lower Raw material Expense & higher realization drove EBITDA/ton on QoQ** – Operating Profit for the quarter stood at ₹1247mn down~18.5% YoY but up ~127% QoQ. Sequential growth in EBITDA was mainly on the back of lower raw material costs which plunged 34%/26%YoY/QoQ to ₹468mn in Q4FY20. Further, Lower raw material costs and higher realizations improved EBITDA/ton by 112% QoQ to ₹794/MT from ₹372/MT in Q3FY20. PAT plunged ~29% Y-o-Y to ₹441mn in Q4FY20 on account of sales decline. For FY20, EBITDA grew ~23% YoY to ₹3,829mn primarily led by 6% YoY increase in realizations however partly offset by lower volumes and higher costs. While PAT grew from ₹476mn in FY19 to ₹866mn in FY20.
- **Focus on debt reduction and earnings outlook** – Company's capex spend fell to ₹800mn, as it focused on plant stabilization and debt reduction. Net debt fell 6% YoY to ~₹11,000mn, thus moderating net Debt/EBITDA to 3x vs. 4x YoY. Management indicated it will not take up any major capex owing to Covid-19 (maintenance capex would be around ₹200mn) led demand decline. In FY21E management expects to commission a clinker loading facility at Chittapur to feed clinker to Jalgaon Grinding unit from Karnataka. With demand recovery, commissioning of its WHR facilities, 2 brownfield expansions in FY21E, cost saving measures, we believe Orient Cement is likely to register higher numbers post FY21E.

Valuation & Recommendation

Slowdown in infrastructure and real estate sector coupled with Covid-19 pandemic impacted company's sales volumes in Q4FY20 however company managed to increase its EBITDA/ton to ~794/MT in Q4FY20 (on QoQ) on the back of lower raw material costs and higher realisations. For FY20, despite lower sales volumes, company posted 9% YoY rise in EBITDA/ton to ₹531/MT on the back of lower operating costs and 6% YoY rise in realisations. We envisage Orient Cement Ltd to report lower topline and earnings in FY21E on the back of subdued demand and precarious pricing scenario on account of uncertainty surrounding Covid-19 pandemic and lockdown restriction. However, we believe company's earnings will rebound post FY21E on account of higher capacity utilizations from existing facilities, demand recovery in infra and real estate sector, cost saving initiatives and higher turnover from new capex. Further lower capex spends in FY21E and company's focus on debt reduction would deleverage its balance sheet. **At CMP of ₹44.7 Orient Cements Ltd is trading at ~5.3x FY20 EV/EBITDA which is at discount to its peers. Currently, we have not rated the stock and kept it under review for any rating/ recommendation.**

Quarterly Financials (Standalone)

(₹ mn)					
Particulars	Q4FY20	Q4FY19	Y-o-Y(%)	Q3FY20	Q-o-Q(%)
Sales	6545	7508	-12.8%	5645	15.9%
Raw Material Expenses	468	710	-34.1%	631	-25.9%
Employee Cost	358	376	-4.8%	382	-6.5%
Power Fuel Cost	1562	1821	-14.2%	1418	10.2%
Freight Forwarding	1916	2082	-7.9%	1688	13.5%
Other operating expense	995	990	0.5%	976	1.9%
Total Expenditure	5298	5978	-11.4%	5095	4.0%
EBITDA	1247	1530	-18.5%	550	126.8%
EBITDA Margin (%)	19.1%	20.4%	-132 bps	9.7%	931 bps
Depreciation	345	330	4.5%	346	-0.5%
EBIT	902	1200	-24.8%	203	343%
EBIT Margin (%)	13.8%	15.9%	-219 bps	4.9%	892 bps
Interest	279	303	-7.8%	311	-10.1%
Other Income	74	41	80.0%	27	177%
PBT	696	938	-25.8%	-81	NA
Taxes	256	318	-19.5%	-24	NA
PAT	441	620	-28.9%	-57	NA
PAT Margins%	6.7%	8.3%	-152 bps	-1.0%	NA
EPS	2.2	-0.28	-28.9%	3.0	NA

Performance Analysis	Q4FY20	Q4FY19	Y-o-Y(%)	Q3FY20	Q-o-Q(%)
Total Sales Volume (MT)	1.57	1.83	-14.2%	1.48	6.1%
Cement Realisation (₹/MT)	4,169	4,103	1.6%	3,814	9.3%
EBITDA (₹/MT)	794	836	-5.0%	372	113.8%
Operating Expenses (₹/MT)	3,375	3,267	3.3%	3,443	-2.0%
Raw Material Cost (₹/MT)	298	388	-23.2%	426	-30.1%
Employee Cost (₹/MT)	228	205	11.0%	258	-11.8%
Power & Fuel Cost (₹/MT)	995	995	0.0%	958	3.8%
Freight Cost (₹/MT)	1,220	1,137	7.3%	1,141	7.0%
Other Expenditure Cost (₹/MT)	634	541	17.1%	660	-3.9%

Financial Statements (Standalone)

(₹ mn)

Income Statement	FY17	FY18	FY19	FY20
Net Sales	18,748	22,223	25,222	24,218
YoY Growth		18.5%	13.5%	-4.0%
EBITDA	1,781	3,052	3,120	3,829
EBITDA Margin	9.4%	13.6%	12.3%	15.8%
Depreciation	1215	1262	1327	1409
EBIT	566	1790	1793	2420
EBIT Margin	3.0%	8.0%	7.1%	10.0%
Interest	1,353	1,292	1,185	1,223
Other income	123	202	140	177
PBT	-665	700	748	1,374
Tax	-344	258	272	508
PAT	-321	442	476	866
PAT Margin	-1.7%	2.0%	1.9%	3.6%
EPS (₹)	-1.6	2.2	2.3	4.2

(₹ mn)

Balance Sheet	FY17	FY18	FY19	FY20
Share capital	205	205	205	205
Reserves & Surplus	9,667	10,016	10,330	10,979
Total Net Worth	9,872	10,221	10,535	11,184
Long term Debt	11,885	11,385	12,262	11,354
Long term Lia & Provisions	504	487	434	413
Deferred tax liabilities	750	854	961	1,219
Total Non-Current liabilities	13,139	12,726	13,657	12,986
Short term borrowings	1,000	1,244	45	3
Trade Payables	2,370	2,001	1,865	1,763
Other current liabilities	2,256	2,913	2,853	2,644
Short term provision	206	265	313	419
Total Current Liabilities	5,833	6,422	5,077	4,828
Total Liabilities	28,843	29,370	29,270	28,998
Net Block	22,956	22,507	23,545	22,715
CWIP	981	1,582	478	668
Loans	1	129	129	124
Other non-current asset	382	564	535	644
Total Non-Current Assets (Include IT assets)	24,320	24,809	24,714	24,150
Inventories	1,467	1,642	1,860	2,366
Trade Receivables	1,055	1,528	1,795	1,618
Cash & Bank Balances	826	331	288	360
Other Current Assets	1,175	1,058	612	502
Loans and Advances	0	2	1	1
Total Current Assets	4,523	4,561	4,556	4,848
Total Assets	28,843	29,370	29,270	28,998

(₹ mn)

Cash Flow Statement	FY17	FY18	FY19	FY20
EBT	-665	700	748	1,374
Depreciation	1,215	1,262	1,327	1,409
Inc/Dec in working capital	2,579	2,912	2,980	3,225
Others	-542	-2,083	-2,243	-3,090
CF from Operating activity	2,588	2,792	2,813	2,918
Inc/Dec in Fixed assets & CWIP	-1,061	-1,470	-1,212	-766
Others	-180	-15	13	34
CF from Investment activity	-1,241	-1,485	-1,199	-732
Inc/Dec in debt	542	-233	-250	-642
Dividends paid	-245	-123	-185	-185
Others	-1,376	-1,259	-1,279	-1,231
CF from Financing activity	-1,079	-1,615	-1,714	-2,058
Inc/Dec in cash	267	-309	-100	127
Opening balance	362	629	321	220
Closing balance	629	321	220	347

Ratios	FY17	FY18	FY19	FY20
Margins				
EBITDA margin	9.4%	13.6%	12.3%	15.8%
EBIT Margins	3.0%	8.0%	7.1%	10.0%
PAT Margin	-1.7%	2.0%	1.9%	3.6%

Profitability Ratios				
Return on Equity (ROE)	-3.3%	4.3%	4.5%	7.7%
Return on Assets (ROA)	-1.1%	1.5%	1.6%	3.0%
Return on Cap Employed (ROCE)	2.5%	7.8%	7.9%	10.7%

Valuation Ratios (x)				
P/E	-28.5	20.7	19.3	10.6
EV/EBITDA	12.0	7.0	6.8	5.3
EV/Sales	1.1	0.9	0.8	0.8
EV/EBIT	37.9	12.0	11.9	8.3

Leverage Ratio (x)				
Current Ratio	0.8	0.7	0.9	1.0
Quick Ratio	0.5	0.5	0.5	0.5
D/E	1.3	1.2	1.2	1.0

Turnover ratios				
Inventory Days	28.5	27.0	26.9	35.7
Debtor days	20.5	25.1	26.0	24.4
Accounts payable days	46.1	32.9	27.0	26.6

Per share				
EPS (₹)	-1.6	2.2	2.3	4.2
BV (₹)	48.2	49.9	51.4	54.6
DPS (₹)	1.0	0.8	0.8	0.8

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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	No
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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