

Nuvoco Vistas Ltd : Good Issue

IPO Note : Fifth Largest Cement company in India from well-known Nirma Group-Shri Karsanbhai K Patel : Good EBITDA Margin, Valuation Priced-in : Ranking***



Issue details

Price band (Rs)	Rs.560-570
IPO Opening Date	09/08/21
IPO Closing Date	11/08/21
Issue Size	Rs. 5000 Cr.

Financial and Recommendation

On a consolidated basis, NVCL has posted turnover/net profits (loss) of Rs. 7105.89 cr. / Rs. - (26.49) Cr. (FY19), Rs. 6829.94 cr. / Rs. 249.26 cr. (FY20) and Rs. 7522.69 cr. / Rs. - (25.92) cr. (FY21). For the last three fiscals, NVCL has (on a consolidated basis) posted an average EPS of Rs. 2.83 and an average RoNW of 1.31%. The issue is priced at a P/BV of 2.45 based on its NAV of Rs. 232.43 per share as of March 31, 2021, and at a P/BV of 2.31 based on its post-issue NAV of Rs. 247.05 per share (at the upper cap).

Overall, Flat Growth at Sales & Negative growth in PAT levels on YoY basis (Due to COVID some months lost). Good EBITDA Margin. EBITDA Growth yoy is 12% (2 year CAGR is 24%). EBITDA Margins in the range of 13-20%.

Valuation: Upper band is 570 per share. As EPS is negative, P/e can't be derived. **The image of Nirma group and promoter Shri Karsanbhai K Patel, it has bright scope.**

Highlights

- The company is promoted by Dr Karsanbhai K. Patel, who is a successful entrepreneur and is associated with the Nirma Group.
- Nuvoco Vistas Corporation Ltd. (NVCL) is the fifth largest cement company in India and the largest cement company in East India in terms of capacity
- As of December 31, 2020, its cement production capacity constituted approximately 4.2% of total cement capacity in India, 17% of total cement capacity in East India and 5% of total cement capacity in North India
- One of the leading ready-mix concrete manufacturers in India

Company Introduction

Incorporated in 1999, Nuvoco Vista Corporation Ltd, a part of Nirma Group Company is among one of the largest cement companies and concrete manufacturers in India. It offers a diversified range of products such as cement, Ready-mix Concrete (RMX), and modern building materials i.e. adhesives, wall putty, dry plaster, cover blocks, and more.

The company sells its products in the trade segment (individual home buyers) and non-trade segment (institutional and bulk buyers). It has a strong distribution network with 15,969 dealers and 225 CFAs. Its cement plants are located in the states of West Bengal, Bihar, Odisha, Chhattisgarh, and Jharkhand in East India and Rajasthan and Haryana in North India with an aggregated installed capacity of 22.32 MMTPA.

The company is promoted by Dr Karsanbhai K. Patel, who is a successful entrepreneur and is associated with the Nirma Group. The Nirma Group is a diversified conglomerate that manufactures products ranging from chemicals to detergents, soaps, healthcare products and real estate development. The Nirma Group forayed into the cement business in 2014 through a greenfield cement plant in Nimbol. Thereafter, as a part of the Nirma Group NVCL has grown the cement businesses, through



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Financial Summary (Rs. In Crore)			
Particulars	FY2021	FY2020	FY2019
Total Income	7522.69	6829.94	7105.88
Net Profit	-25.91	249.25	-26.48
EPS (Rs)	-	6.97	-

Source: RHP and ACE Equity

acquisitions such as the acquisition of the Indian cement business of LafargeHolcim in 2016 and in 2020 by acquiring NU Vista. Earlier, in February 2020, it completed the merger of the cement undertaking of Nirma Limited located at Nimbol, Rajasthan with the Company. The company has grown from being solely cement-based to a building materials company with a vision to "Build a Safer, Smarter and Sustainable World".

Company Promoters:

Niyogi Enterprises Pvt Ltd and Dr. Karsanbhai K Patel are the company promoters.

Objects of the Issue:

- To repay/prepay/redeem borrowings availed by the firm fully or partially.
- General corporate purposes.

IPO Issue Proceed

To part finance its plans for repayment/prepayment of certain borrowings in full/part (Rs. 1350 cr.) and general corpus fund needs, NVCL is coming out with a maiden IPO of Rs. 5000 cr. (approx. 87719305 shares) comprising fresh equity issue worth Rs. 1500 cr. (approx. 26315796 shares) and an offer for sale (OFS) of Rs. 3500 cr. (approx. 61403509 shares) It has fixed a price band of Rs. 560 - Rs. 570 per share of Rs. 10 each. Minimum application is to be made for 26 shares and in multiples thereon, thereafter. The issue opens for subscription on August 09, 2021, and will close on August 11, 2021. Post allotment, shares will be listed on BSE and NSE. The issue constitutes 24.56% of the post issue paid-up capital of the company. NVCL has allocated 50% for QIBs, 15% for HNIIs and 35% for retail investors. Post-IPO, NVCL's current equity capital of Rs. 330.84 cr. will stand enhanced to Rs. 357.16 cr. Based on the upper cap of the price band, the company is looking for a market cap of Rs. 20357.90 cr.

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

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