

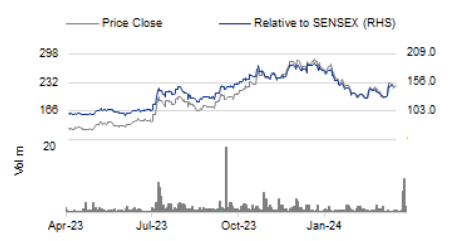
India

ADD (previously HOLD)

Consensus ratings*:	Buy 5	Hold 5	Sell 3
Current price:	Rs224		
Target price:	Rs250		
Previous target:	Rs270		
Up/downside:	11.6%		
InCred Research / Consensus:	-0.9%		
Reuters:	ORCE.NS		
Bloomberg:	ORCMNT IN		
Market cap:	US\$549m		
	Rs45,809m		
Average daily turnover:	US\$3.7m		
	Rs311.8m		
Current shares o/s:	204.9m		
Free float:	58.9%		
*Source: Bloomberg			

Key changes in this note

- Slightly cut EBITDA by 2% for FY25F-26F.
- Upgrade to ADD vs. HOLD earlier. Revise our target price to Rs250 from Rs270 earlier.




Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.2	(20.1)	78.5
Relative (%)	0.2	(22.8)	46.4

Major shareholders	% held
Promoter & Promoter Group	37.9
Nippon Life India	2.9
Aditya Birla Sun Life	2.5

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Orient Cement

Volume disappoints; profitability surges

- 4QFY24 EBITDA stood at ~Rs1.48bn vs. our estimate of Rs1.24bn (up ~6% yoy & 28% qoq) on lower operating costs.
- EBITDA/t rose by Rs29/t qoq to Rs858 in 4Q (vs. our estimate of Rs691), achieving savings of Rs110m from renewable energy during the quarter.
- We slightly cut our estimates by ~2% for FY25F-26F to factor in the near-term challenges. Upgrade to ADD (from HOLD) after a recent stock correction.

Volume below estimate; lower realization decline is the saving grace

Cement sales volume of Orient Cement (ORCMNT) in 4QFY24 remained flat yoy and up 24% qoq at 1.73mt, 4% below our estimate (FY24 volume was at 6.1mt, up ~6.5%), on lower demand from its key state Telangana, and competition intensity in Maharashtra. However, the company remained focused on reasonable products and premium products, which led to a lesser fall in realization vs. other players (till reported). Cement realization stood at Rs5,145/t, down ~5% qoq (~1% above our estimate). On pricing, management highlighted that Mar 2024 exit prices were similar to two years ago and it expects price recovery to happen only if demand remains sustainable from here on. Management expects demand recovery to start from 2HFY25F. Premium product constitutes ~22% of its B2C sales, up ~31% yoy in FY24, despite priced among the highest premium categories in the industry. ORCMNT expects ~8% (6.6mt) volume growth in FY25F. ORCMNT line-2 at Chittapur has concluded public hearing and is now moving ahead for further process. For Rajasthan expansion, it has received the supplementing lease and will be moving towards negotiations with big landholders. Capex guidance is Rs10bn for FY25F, out of which ~50% will be towards Chittapur plant and Rs14-15bn for FY26F. We factor in a ~8% volume CAGR over FY25F-26F, as new capacity will be ramped up post FY25F and there's limited visibility on expansion in the near term.

EBITDA/t improves to Rs858; WHRS savings to aid margin further

Total cost/t was down by ~6% qoq and flat yoy at Rs4,287, mainly because of decline in RM+P&F costs and fixed costs. Power & fuel costs/t were down by ~3% qoq and ~17% yoy to Rs1,349 on lower fuel prices (blended fuel consumption on Kcal basis stood at Rs1.77/kcal vs. Rs1.81/kcal qoq), b) freight costs/t inched up by ~2% yoy to Rs1,392 due to ORCMNT preferring more dispatches in West over South India market (avg. lead distance was up by ~15km over 300km), c) fixed cost/t was down by 17% qoq at Rs794 during the quarter. Green share stood at ~23% in 4Q, leading to savings of Rs110m in 4Q and expected savings of ~Rs500-550m in FY25F. We expect unit EBITDA to improve by Rs70-80/t yoy in FY25F on account of cost savings and premium focus strategy.

Upgrade to ADD rating with a revised target price of Rs250

ORCMNT trades at FY25F/26F EV/EBITDA of 9.3x/8.9x, respectively. We upgrade our rating on it to ADD (from HOLD earlier) due to the recent stock price correction, with a Mar 2025F target price of Rs250 {Rs270 earlier, set at one-year forward EV/EBITDA of 9x (unchanged)}. Downside risks: Weak demand, pricing pressure, rise in input costs and delay in commissioning the capacity.

Financial Summary

	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue (Rsm)	27,254	29,375	31,851	34,502	38,560
Operating EBITDA (Rsm)	5,911	3,645	4,492	5,395	6,207
Net Profit (Rsm)	2,633	1,228	1,749	2,271	2,534
Core EPS (Rs)	12.8	6.0	8.5	11.1	12.4
Core EPS Growth	22.9%	(53.3%)	42.4%	29.9%	11.6%
FD Core P/E (x)	17.40	37.30	26.20	20.17	18.08
DPS (Rs)	2.5	1.5	1.5	2.0	2.2
Dividend Yield	1.12%	0.67%	0.67%	1.78%	1.99%
EV/EBITDA (x)	8.18	13.45	10.31	9.31	8.93
P/FCFE (x)	45.51	99.76	62.72	(1,885.31)	148.80
Net Gearing	16.8%	20.0%	3.0%	23.5%	46.9%
P/BV (x)	3.00	2.86	2.63	2.43	2.23
ROE	18.6%	7.8%	10.4%	12.5%	12.9%
% Change In Core EPS Estimates				(0.41%)	(0.40%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Volume disappoints; profitability surges

Key takeaways from 4QFY24 & earnings call ►

Volume & Prices:

- **Volume:** Cement volume came in at 1.73mt, flat yoy and up 24% qoq, but ~4% below our expectation. In 4Q, the company saw soft B2C demand, while the share of blended cement was up on a sequential basis. Volume in FY24 was up 6.5% yoy at 6.1mt.
- EBITDA for the quarter stood at ~Rs1.48bn vs. our expectation of ~Rs1.24bn and up 6% yoy and 28% qoq. **EBITDA/t stood at Rs858 during the quarter vs. Rs829 in 3QFY24 and Rs812 in 4QFY23.**
- **Reported PAT** of Rs682m vs. our expectation of Rs544m, up 1% yoy and 52% qoq.
- **Volume & Prices:** Volume guidance of ~8% for FY25F at ~6.6mtpa vs. industry growth of 6-8%.
- The company highlighted that 4Q was a challenging quarter on the demand side, Jan-Feb months were good, as per the company, while from March it turned out to be difficult as the markets in which the company operates turned slow on the demand front. Pricing also remained soft during the month.
- **Overall capacity utilization** was at ~81% in 4Q, where the Devapur plant was facing difficulty in operations (due to old plants) while other plants operated as expected. The company highlighted that Devapur unit services Telangana and Vidarbha region of Maharashtra. In Telangana, the demand was low and in Vidarbha there was new capacity which entered the region, is selling cement at lower prices backed by the benefits it receives. For offsetting that, the company will try to take a grinding unit to sell clinker from the Devapur unit.
- **Pricing:** Management highlighted that pricing remains unpredictable. If the demand remains better and stable from here on, price hike can be taken during the monsoon months also. As per management, Mar 2024-end prices were similar to two years ago. Apr 2024 prices remain soft due to lower demand on account of labour shortage, ongoing general elections, heatwaves, and water shortage in some markets. Apr 2024 prices remained marginally better than exit prices in Mar 2024. Management expects an improvement from 2HFY25F.
- The board of directors has approved a **dividend of Rs1.5/share for FY24.**
- Net debt stood at **Rs525m as of Mar 2024-end vs. Rs2.4bn as of Sep 2023-end and Rs1.1bn as of Mar 2023-end** Cash and cash equivalents as of FY24-end stood at Rs 771m vs. Rs 701m in FY23.

Costs:

- **Improvement in EBITDA/t** will depend on pricing in the market, premium products mix, and how it leverages the use of green power. Expects a gain of Rs70-80/t for FY25F from the current levels.
- Fuel cost pricing remained soft and stable. Fuel costs should remain at a similar level in 1QFY25F.
- It grew by 12% yoy in Telangana and 13% yoy in Maharashtra. Maharashtra remains the brightest market for the company.
- **Energy mix:** Renewable energy (RE) accounted for 23% in 4Q and 15% in FY24. RE helped in savings of Rs110m in 4Q. Expects savings of Rs500-550m from RE in FY25F.
- **Fuel mix:** 45% from domestic coal, 34% pet-coke and 11% AFR in 4Q. Energy costs stood at Rs1.77/kcal vs. Rs1.81/kcal qoq and Rs2.73/kcal yoy.
- Freight costs were higher due to more dispatches in the western region over southern in 4Q. Rail dispatches stood at 16% vs. 14%QoQ. Lead distance was 315-320km in 4Q.

Capex & expansion:

- **Management guided capex of Rs10bn for FY25F**, of which the rough breakup is Rs5bn for Chittapur unit, Rs1.5bn for Devapur unit, and Rs1bn for Rajasthan land acquisition. Sees capex of Rs14-15bn for FY26F. Currently, it is debt free, as per management. Expects debt to be at Rs6bn in FY25F.
- Cash flow from operations in FY24 stood at **Rs4.3bn vs. Rs1.1bn during FY23**. Capex stood at Rs783m during FY24 vs. Rs1.1bn in FY23.
- Negotiating with parties on certain clauses for Madhya Pradesh unit.
- **Rajasthan expansion:** Registered supplementing mining lease, can now start discussions with big land holders who are crucial to acquiring the land.
- Chittapur unit public hearings have concluded and are moving ahead for further process. Expects to get processed after a new government is formed.

Other updates:

- **B2B** sales reached ~55% in 4Q, supported by sales from Mumbai and Pune.
- Blended cement sales continue to grow. OPC sales stood at 46% in 4Q vs. 48% qoq and 43% yoy, and it remains a key product for the Mumbai market.
- Received orders from a contractor who is involved in the Mumbai bullet train project.
- Achieved ~31% yoy growth in premium product sales in FY24, despite charging one of the highest premiums in the industry and its constituents now account for 22% of B2C sales.
- Jalgaon to get more solar power from May 2024F, Chittapur from June 2024F. Targets 50% of renewable energy mix by FY30F.
- Orient Cement commissioned the second phase of WHRS at its Chittapur unit. WHRS gross power generation capacity is now at 10.1MW.
- Three plants to undergo maintenance, as per schedule, in FY25F- one plant maintenance in 1QFY25F and two plants to undergo maintenance in 2HFY25F.
- Clinker production was at 4.7mt in FY24.
- Domestic coal prices are going up and the Devapur unit remains dependent on it.

Figure 1: Standalone quarterly performance

Particulars (Rs m)	4QFY24	4QFY24F	3QFY24	4QFY23	% Change		
					4QFY24F	3QFY24	4QFY23
Net Sales	8,880	9,129	7,513	8,760	-3%	18%	1%
Raw materials consumed	1,297	1,386	1,133	1,069	-6%	15%	21%
Freight and Forwarding expenses	2,402	2,525	1,950	2,344	-5%	23%	2%
Power and Fuel Costs	2,329	2,381	1,945	2,783	-2%	20%	-16%
Employee Costs	431	583	471	372	-26%	-8%	16%
Other Expenses	939	1,014	860	797	-7%	9%	18%
Total Expenditure	7,399	7,890	6,359	7,366	-6%	16%	0%
EBITDA	1,481	1,239	1,154	1,395	20%	28%	6%
Depreciation	376	388	377	365	-3%	0%	3%
EBIT	1,105	851	777	1,030	30%	42%	7%
Interest	80	83	79	95	-4%	1%	-16%
Other Income	75	19	19	48	289%	293%	55%
PBT	1,100	788	718	983	40%	53%	12%
Tax	418	244	268	309	71%	56%	35%
PAT before MI & Associates	682	544	450	674	25%	52%	1%
Minority Interest	0	0	0	0			
Profit from Assoc.	0	0	0	0			
Recurring PAT	682	544	450	674	25%	52%	1%
Extraordinary Items	0	0	0	0			
Reported PAT	682	544	450	674	25%	52%	1%
EPS (Rs)	3.3	2.7	2.2	3.3	25%	52%	1%
Gross Margin	32%	31%	33%	29%	104 bp	-96 bp	284 bp
EBITDA Margin	16.7%	13.6%	15.4%	15.9%	311 bp	132 bp	76 bp
EBIT Margin	12%	9%	10%	12%	312 bp	209 bp	68 bp
PBT Margin	12%	9%	10%	11%	376 bp	283 bp	116 bp
PAT Margin	8%	6%	6%	8%	173 bp	169 bp	-1 bp
Tax Rate	38%	31%	37%	31%	701 bp	69 bp	656 bp
Cost Items as % of Sales							
RM Costs	15%	15%	15%	12%	-58 bp	-47 bp	241 bp
Freight Costs	27%	28%	26%	27%	-60 bp	109 bp	29 bp
P&F Costs	26%	26%	26%	32%	14 bp	33 bp	-554 bp

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

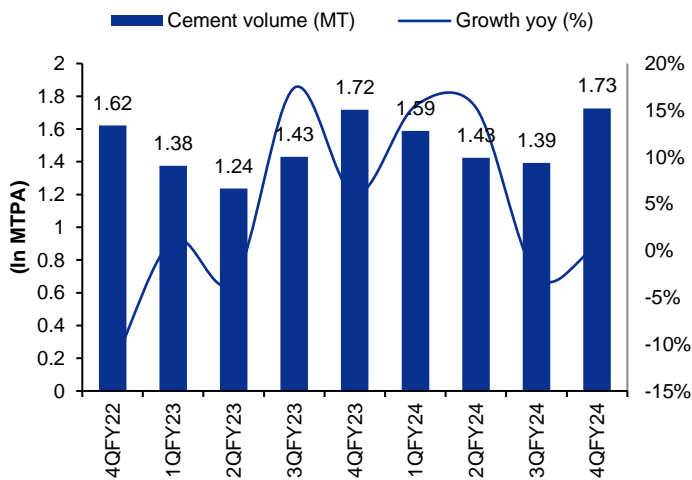
Figure 2: 4QFY24 results as per tonne analysis

Per tonne analysis	4QFY24	4QFY24F	3QFY24	4QFY23	% Change		
					4QFY24F	3QFY24	4QFY23
Sales volume (Cement + Clinker)	1.73	1.79	1.39	1.72	-4%	24%	0.5%
Realization	5,145	5,090	5,397	5,099	1%	-5%	1%
EBITDA/t	858	691	829	812	24%	4%	6%
RM cost/t	752	773	814	622	-3%	-8%	21%
P&F costs/t	1,349	1,328	1,398	1,620	2%	-3%	-17%
Freight costs/t	1,392	1,408	1,401	1,364	-1%	-1%	2%
Employee costs/t	250	325	339	217	-23%	-26%	15%
Other exps/t	544	566	617	464	-4%	-12%	17%
Cost/t	4,287	4,399	4,568	4,287	-3%	-6%	0%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

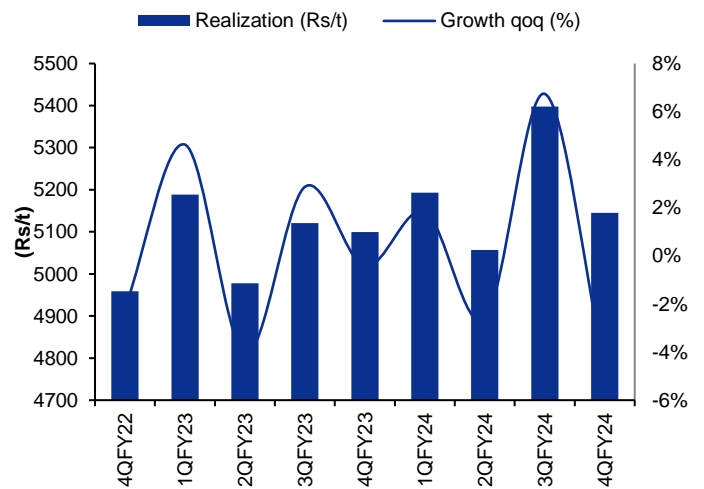
Key quarterly charts ➤

Figure 3: Cement sales volume remained flat yoy and up 24% qoq in 4QFY24



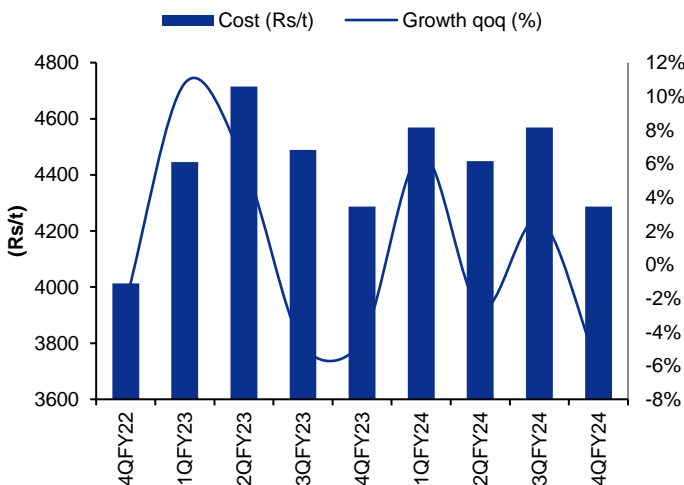
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Cement realization grew by ~1% yoy and declined by 5% qoq in 4QFY24



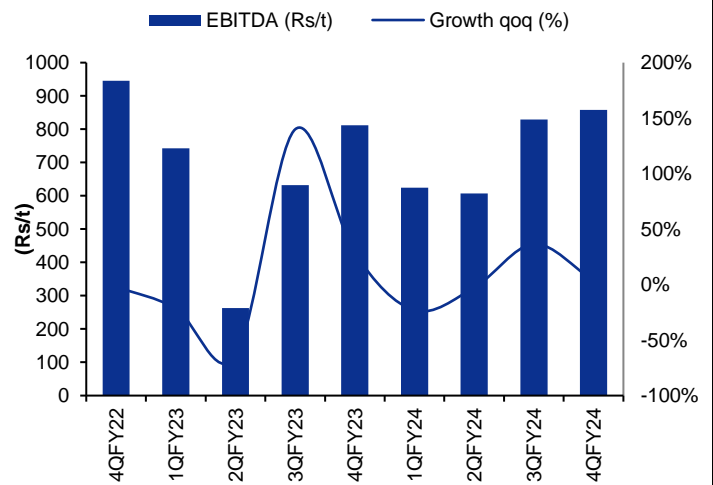
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Cost/t flat yoy and down by 6% qoq in 4QFY24



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Unitary EBITDA improved by 6% yoy and 4% qoq to Rs858/t in 4QFY24



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key changes ➤

Figure 7: Our revised earnings estimates

Rs. m	New		Change (%)		Old	
	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
Sales	34,502	38,560	-1%	-1%	34812	38906
EBITDA	5,395	6,207	-2%	-2%	5481	6305
Recurring PAT	2,271	2,534	0%	-2%	2282	2589
EPS (Rs.)	11.1	12.4	0%	-2%	11	13

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 8: Changes in our estimates vs. Bloomberg consensus estimates

Rs. m	Incred		Consensus		Change (%)	
	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
Sales	34,502	38,560	35,704	39,613	-3%	-3%
EBITDA	5,395	6,207	5,660	6,524	-5%	-5%
PAT	2,271	2,534	2,474	2,834	-8%	-11%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Figure 9: Key assumptions

	FY22A	FY23A	FY24A	FY25F	FY26F
Volume (in mtpa)	5.5	5.8	6.1	6.6	7.3
Yoy	9%	5%	6%	8%	10%
Realization (per tonne)	4,975	5,100	5,193	5,209	5,292
Yoy	8%	3%	2%	0%	2%
Cost (per tonne)	3,896	4,467	4,461	4,394	4,440
Yoy	11%	15%	0%	-1%	1%
EBITDA (per tonne)	1,079	633	732	815	852
Yoy	-1%	-41%	16%	11%	5%
EBITDA (Rs m)	5,911	3,645	4,492	5,395	6,207
Yoy	7%	-38%	23%	20%	15%

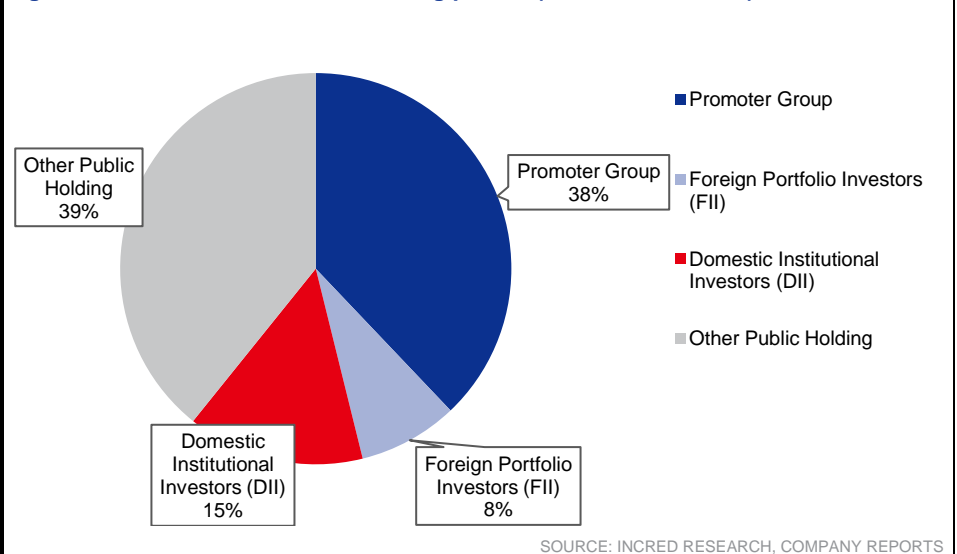
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 10: Upgrade to ADD rating on the stock from HOLD with a Mar 2025F target price of Rs250, set at one-year forward EV/EBITDA of 9x (unchanged)

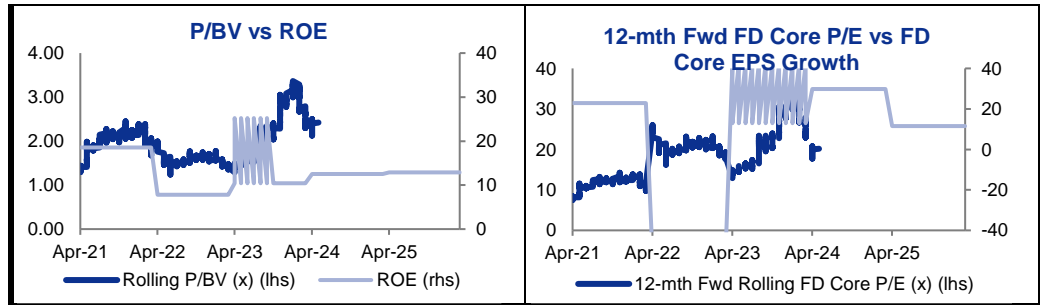
Valuation	TP
Target EV/EBITDA (x)	9.0
Target EV (Rs m)	55,859
Net debt / (cash) (Rs m)	4,439
No. of shares (m)	205
Fair value per share (Rs)	250

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 11: Orient Cement's shareholding pattern (as of end-Mar 2024)



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Net Revenues	27,254	29,375	31,851	34,502	38,560
Gross Profit	27,254	29,375	31,851	34,502	38,560
Operating EBITDA	5,911	3,645	4,492	5,395	6,207
Depreciation And Amortisation	(1,452)	(1,468)	(1,492)	(1,581)	(1,708)
Operating EBIT	4,459	2,177	3,001	3,814	4,499
Financial Income/(Expense)	(514)	(378)	(342)	(444)	(733)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	96	120	155	168	181
Profit Before Tax (pre-EI)	4,040	1,920	2,814	3,538	3,947
Exceptional Items					
Pre-tax Profit	4,040	1,920	2,814	3,538	3,947
Taxation	(1,407)	(691)	(1,066)	(1,266)	(1,413)
Exceptional Income - post-tax					
Profit After Tax	2,633	1,228	1,749	2,271	2,534
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	2,633	1,228	1,749	2,271	2,534
Recurring Net Profit	2,633	1,228	1,749	2,271	2,534
Fully Diluted Recurring Net Profit	2,633	1,228	1,749	2,271	2,534

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
EBITDA	5,911	3,645	4,492	5,395	6,207
Cash Flow from Invt. & Assoc.					
Change In Working Capital	51	2,206	(122)	551	794
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	96	120	155	168	181
Other Operating Cashflow	(962)	(4,820)	(428)	572	1,572
Net Interest (Paid)/Received	(514)	(378)	(342)	(444)	(733)
Tax Paid	658	336	503	(1,266)	(1,413)
Cashflow From Operations	5,239	1,110	4,259	4,976	6,608
Capex	(525)	(1,294)	(783)	(9,000)	(10,800)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	1,227	96	(70)		
Cash Flow From Investing	702	(1,198)	(853)	(9,000)	(10,800)
Debt Raised/(repaid)	(4,935)	547	(2,676)	4,000	4,500
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(512)	(307)	(307)	(409)	(456)
Preferred Dividends					
Other Financing Cashflow	(414)	112	(353)	519	(529)
Cash Flow From Financing	(5,861)	352	(3,336)	4,110	3,515
Total Cash Generated	80	264	70	86	(677)
Free Cashflow To Equity	1,007	459	730	(24)	308
Free Cashflow To Firm	6,455	290	3,748	(3,580)	(3,460)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Cash And Equivalents	538	701	771	856	179
Total Debtors	1,273	1,689	2,244	2,174	2,218
Inventories	1,866	3,509	3,402	3,497	3,592
Total Other Current Assets	652	792	434	483	501
Total Current Assets	4,329	6,692	6,850	7,011	6,491
Fixed Assets	21,151	20,100	20,210	27,629	36,721
Total Investments	42	42	115	115	115
Intangible Assets	398	1,397	889	889	889
Total Other Non-Current Assets	576	536	491	491	491
Total Non-current Assets	22,167	22,076	21,704	29,123	38,215
Short-term Debt	1,617	2,933	590	3,790	5,290
Current Portion of Long-Term Debt					
Total Creditors	2,310	2,147	2,288	2,559	2,842
Other Current Liabilities	2,801	2,957	3,026	3,381	4,049
Total Current Liabilities	6,727	8,037	5,905	9,731	12,181
Total Long-term Debt	1,480	982	705	1,505	4,505
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	3,034	3,712	4,512	6,012	7,512
Total Non-current Liabilities	4,514	4,694	5,217	7,517	12,017
Total Provisions					
Total Liabilities	11,242	12,731	11,122	17,248	24,198
Shareholders Equity	15,254	16,037	17,432	18,886	20,508
Minority Interests					
Total Equity	15,254	16,037	17,432	18,886	20,508

Key Ratios

	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue Growth	17.3%	7.8%	8.4%	8.3%	11.8%
Operating EBITDA Growth	7.3%	(38.3%)	23.2%	20.1%	15.0%
Operating EBITDA Margin	21.7%	12.4%	14.1%	15.6%	16.1%
Net Cash Per Share (Rs)	(12.49)	(15.68)	(2.56)	(21.67)	(46.94)
BVPS (Rs)	74.46	78.28	85.09	92.19	100.10
Gross Interest Cover	8.67	5.76	8.79	8.59	6.14
Effective Tax Rate	34.8%	36.0%	37.9%	35.8%	35.8%
Net Dividend Payout Ratio	19.5%	25.0%	17.6%	36.0%	36.0%
Accounts Receivables Days	15.90	18.41	22.54	23.37	20.79
Inventory Days	23.92	33.39	39.60	36.49	33.55
Accounts Payables Days	35.52	31.61	29.58	30.39	30.47
ROIC (%)	21.4%	9.5%	13.4%	13.1%	12.0%
ROCE (%)	22.6%	11.4%	15.5%	17.8%	16.5%
Return On Average Assets	11.5%	5.8%	7.3%	8.4%	8.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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