

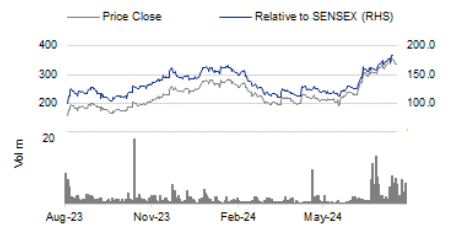
India

REDUCE (previously ADD)

Consensus ratings*:	Buy 4	Hold 4	Sell 3
Current price:	Rs339		
Target price:	Rs320 ▲		
Previous target:	Rs250		
Up/downside:	-5.6%		
InCred Research / Consensus:	4.6%		
Reuters:			
Bloomberg:	ORCMNT IN		
Market cap:	US\$957m		
	Rs69,471m		
Average daily turnover:	US\$7.2m		
	Rs525.5m		
Current shares o/s:	204.9m		
Free float:	58.9%		
<small>*Source: Bloomberg</small>			

Key changes in this note

- ▶ We cut EBITDA by 4%-5% for FY25F-26F.
- ▶ Downgrade to REDUCE vs. ADD earlier. Revise our target price to Rs320 from Rs250 earlier.




Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	14.3	52.5	115.8
Relative (%)	16.3	42.6	81.1

Major shareholders	% held
Promoter & Promoter Group	37.9
ICICI Pru MF	3.3
Quant MF	2.5

Research Analyst(s)



Nishant BAGRECHA
T (91) 22 4161 1564
E nishant.bagrecha@incredresearch.com

Saurabh SINGH
T (91) 2241611558
E saurabh.singh@incredresearch.com

Rohan KALLE
T (91) 22 4161 1561
E rohan.kalle@incredresearch.com

Orient Cement

Exemplary stock rally leaves no upside

- 1QFY25 EBITDA stood at ~Rs960m vs. our estimate of Rs1.2bn (down ~3% yoy & 35% qoq) as Orient Cement's emphasis is on profitable volume.
- EBITDA/t down by Rs150 qoq to Rs708 in 1Q (vs. our estimate of Rs736/t), saved Rs90m (Rs66/t) from renewable energy during the quarter.
- We cut EBITDA estimates by 4-6% for FY25F-26F to factor in weak 1Q & near-term problems. Downgrade to REDUCE (from ADD) after a recent rally.

Focus remains on a contrarian approach; volume to remain muted

Cement sales volume of Orient Cement (ORCMNT) in 1QFY25 declined by ~15% yoy and ~21% qoq to 1.36mt, ~15% below our estimate, on soft demand along with its contrarian strategy of not going for sales volume at lower prices. Volume decline was observed in the southern region (high double-digit) followed by Maharashtra (low single-digit) during the quarter. It highlighted that some of the recently acquired assets' (from giants) volumes have started to enter its markets. The company remains focused on chasing profitable volume, which kept its realization flat qoq vs. other players reporting a decline (3-5%). On pricing, management highlighted that Jul 2024 exit prices were 2-2.5% lower vs. the avg. of 1Q and see price recovery happening only post-monsoon once the demand returns to the normal level. Premium products constitute ~23% of its B2C sales and are expected to reach ~25% by FY25F. As regards its FY25F volume guidance, the company refrained to provide it and indicated coming back with its guidance post-monsoon once the demand returns to normal level (vs. earlier guidance of ~8%). Volume growth is expected to be weak in 2Q (flattish-to-decline yoy); however, it expects a sharp recovery post seasonality. On capex, the company has revised its capex guidance to Rs2-3bn (Rs10bn earlier) for FY25F due to the delay in expansion projects and expects major capex to be incurred in FY26F. We factor in a ~5% volume CAGR over FY24F-26F, as the new capacity gets ramped-up post FY26F, and there's limited visibility on expansion in the near term.

EBITDA/t tumbles to Rs708, up Rs80 yoy but down Rs150 qoq

Total operating costs/t were up 3% qoq and down 3% yoy at Rs4,427 mainly due to: a) Energy costs/t remaining flat qoq and down 13% yoy at Rs1,351 due to the decline in pet-coke prices along with increased usage of AFR. Savings from WHRS contributed Rs90m in 1Q. b) Logistics costs/t increased by ~2% qoq and 3% yoy to Rs1,416 due to the rise in road transportation and higher rail fare (avg. lead distance remained above the average of 300km). c) Fixed costs/t increased by ~22% qoq to Rs965. The company's EBITDA/t was down by Rs150 qoq to Rs708 and we expect an improvement in EBITDA/t to be largely driven by recovery in volume & prices, which now only seems possible post 1HFY25F.

Downgrade to REDUCE due to ~50% stock rally in past three months

Orient Cement trades at EV/EBITDA and EV/t of 11.8x/US\$99, respectively, on our FY26F estimates. We downgrade our rating on it to REDUCE (from ADD) due to the recent stock price rally, with a Sep 2025F target price of Rs320 {Rs250 earlier, set at EV/EBITDA of 10x (9x earlier)}. Upside risks: Strong demand, wide price hikes, fall in input costs, and any news relating to consolidation.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	29,375	31,851	32,202	35,473	39,801
Operating EBITDA (Rsm)	3,645	4,492	5,068	5,976	7,076
Net Profit (Rsm)	1,228	1,749	2,182	2,648	3,149
Core EPS (Rs)	6.0	8.5	10.6	12.9	15.4
Core EPS Growth	(53.3%)	42.4%	24.8%	21.4%	18.9%
FD Core P/E (x)	56.57	39.73	31.84	26.23	22.06
DPS (Rs)	1.5	1.5	1.9	2.3	2.8
Dividend Yield	0.44%	0.44%	1.13%	1.37%	1.63%
EV/EBITDA (x)	19.94	15.58	13.48	11.80	10.67
P/FCFE (x)	151.30	95.12	35.43	233.94	(246.18)
Net Gearing	20.0%	3.0%	(6.3%)	5.1%	26.8%
P/BV (x)	4.33	3.99	3.69	3.38	3.08
ROE	7.8%	10.4%	12.0%	13.5%	14.6%
% Change In Core EPS Estimates			(0.42%)	(0.38%)	(0.36%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key takeaways from 1QFY25 earnings conference call ►

Volume & Prices:

- **Volume:** Cement volume came in at 1.36mt, down ~15% yoy and 21% qoq, and ~15% below Incred estimate. The company preferred to stay with its strategy of not chasing volume at low prices, even in a soft demand environment.
- **Realization** remained flat qoq at Rs5,135/t. (~3% above our expectation). Blended volume marginally declined on qoq and yoy basis due to increased supply to the infrastructure segment.
- **Volume guidance:** The company will share its volume guidance for FY25F post-monsoon, once the demand remains normal (vs. earlier guidance of 8%). Expects 2QFY25F volume to be lower than last year. However, management expects the demand to bounce back post-monsoon.
- **Pricing:** Prices remained soft during the quarter. Down by 2-2.5% QTD.
- **Industry:** As per management, a slowdown was observed during the quarter at the pan-India level; region-wise, some regions witnessed growth while others saw a decline, even key markets like Maharashtra (including Mumbai) saw demand declining yoy. The slowdown started in mid-4QFY24 and got worse in the following months with a heatwave followed by rains in Jun 2024 affecting demand. Vidarbha's excess rainfall affected the company's demand during Jun 2024. Currently, demand remains soft across markets due to the monsoon season.
- **Following a contrarian approach:** Lost volume growth in 1QFY25, but the company was able to maintain its realization and in line with its strategy of not selling its products at lower prices. Management highlighted such discount sales affecting its long-term brand positioning.
- **Segment-wise details:** As per the company, B2C consumer market is more brand loyal and competitive. Keeping this in mind, it has aligned its prices with other key brands to maintain volume share in the segment. Expects B2B volume to bounce back once the demand and prices make a comeback as the customers seek quality and better pricing.
- Large players prioritizing capacity utilization (volume) is leading to lower prices. The company highlighted that big players, who have recently acquired assets in its markets, have begun garnering sales volume in some of its markets.
- In 1Q, premium sales reached 23%, targeting 25% by FY25F.
- During 1Q, volume mix was, 68% in the western region and 24% in the southern region. A large decline was seen in the southern region (high double-digit) and Maharashtra (low single-digit).

Costs:

- **Total operating costs/t** was up 3% qoq and down 3% yoy at Rs4,427, mainly due to: **a) Energy costs/t** remaining flat qoq and down 13% yoy at Rs1,351 due to the decline in pet-coke prices along with increased usage of AFR. Savings from WHRS have started to reflect in the cost structure of the company. **b) Logistics costs/t** increased by ~2% qoq and 3% yoy to Rs1,416 due to the rise in road transportation and higher rail fare (avg lead distance remained above the average of 300km). **c) Raw material costs/t** decreased by 8% yoy and ~10% qoq to Rs695 during the quarter. **d) Fixed expenses/t** increased by 22% qoq to Rs965.
- WHRS benefits of Rs90m in 1Q, out of which solar power contributed Rs25m.
- The company is expanding its solar power capacity, with 3.4MW in operation at the Jalgaon plant and 17MW expected to be operational at the Chittapur plant in the next five-to-six weeks.

- **EBITDA for the quarter** came in at ~Rs960m vs. our expectation of ~Rs1.2bn, down 3% yoy and 35% qoq. **EBITDA/t stood at Rs708 during the quarter** vs. Rs858 in 4QFY24 and Rs624 in 1QFY24.
- **Reported PAT** of Rs682m vs. our expectation of Rs544m, up 1% yoy and 52% qoq.

Capex & expansion:

- Management does not expect much capex in FY25F due to the delay in its expansion projects. Most of the expansion capex to come in from FY26F.
- Rajasthan land deals remain in the negotiating phase.
- For Sarni, it has not received any formal communication from the authorities yet.
- Required approvals for Devapur mines in Telangana are in the last stage of clearance, as per the company.

Other updates:

- Blended cement sales continue to grow. OPC sales stood at 45-47% vs. similar qoq.
- **Energy mix:** Renewable energy usage was 24% vs. 23% in qoq.
- **Fuel mix:** 40% from domestic coal, 42% from pet coke and 18% from AFR, in 1Q. Energy costs stood at Rs1.785/kcal vs Rs1.77/kcal qoq and Rs2.1/kcal yoy.
- During 1Q, B2B sales were 56%.
- Trade share was 44%. Lead distance was 310-320km and similar on qoq basis.
- As per management, average limestone mining cost in India is Rs80/t.

Figure 1: Standalone quarterly performance

Particulars (Rs m)	1QFY25	1QFY25F	4QFY24	1QFY24	% Change		
					1QFY25F	4QFY24	1QFY24
Net Sales	6,963	8,004	8,880	8,252	-13%	-22%	-16%
Raw Materials Consumed	942	1,194	1,297	1,230	-21%	-27%	-23%
Freight and Forwarding Expenses	1,920	2,133	2,402	2,181	-10%	-20%	-12%
Power and Fuel Costs	1,832	2,165	2,329	2,475	-15%	-21%	-26%
Employee Costs	508	466	431	471	9%	18%	8%
Other Expenses	801	867	939	903	-8%	-15%	-11%
Total Expenditure	6,003	6,825	7,399	7,260	-12%	-19%	-17%
EBITDA	960	1,179	1,481	992	-19%	-35%	-3%
Depreciation	386	378	376	367	2%	2%	5%
EBIT	574	801	1,105	624	-28%	-48%	-8%
Interest	56	94	80	97	-40%	-29%	-42%
Other Income	61	50	75	44	23%	-18%	38%
PBT	579	757	1,100	572	-23%	-47%	1%
Tax	212	250	418	202	-15%	-49%	5%
PAT before MI & Associates	367	507	682	370	-28%	-46%	-1%
Minority Interest	0	0	0	0			
Profit from Assoc.	0	0	0	0			
Recurring PAT	367	507	682	370	-28%	-46%	-1%
Extraordinary Items	0	0	0	0			
Reported PAT	367	507	682	370	-28%	-46%	-1%
EPS (Rs)	1.8	2.5	3.3	1.8	-28%	-46%	-1%
Gross Margin	33%	31%	32%	29%	119 bp	47 bp	391 bp
EBITDA Margin	13.8%	14.7%	16.7%	12.0%	-95 bp	-289 bp	177 bp
EBIT Margin	8%	10%	12%	8%	-176 bp	-419 bp	68 bp
PBT Margin	8%	9%	12%	7%	-114 bp	-407 bp	139 bp
PAT Margin	5%	6%	8%	4%	-106 bp	-241 bp	78 bp
Tax Rate	37%	33%	38%	35%	362 bp	-139 bp	136 bp
Cost Items as a % of Sales							
RM Costs	14%	15%	15%	15%	-138 bp	-108 bp	-138 bp
Freight Costs	28%	27%	27%	26%	93 bp	53 bp	115 bp
P&F Costs	26%	27%	26%	30%	-74 bp	8 bp	-368 bp

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 2: 1QFY25 results as per tonne analysis

Per tonne analysis	1QFY25	1QFY25F	4QFY24	1QFY24	% Change		
					1QFY25F	4QFY24	1QFY24
Sales volume (Cement + Clinker)	1.36	1.60	1.73	1.59	-15%	-21%	-14.7%
Realization	5,135	4,994	5,145	5,193	3%	0%	-1%
EBITDA/t	708	736	858	624	-4%	-17%	13%
RM costs/t	695	745	752	774	-7%	-8%	-10%
P&F costs/t	1,351	1,351	1,349	1,557	0%	0%	-13%
Freight costs/t	1,416	1,331	1,392	1,372	6%	2%	3%
Employee costs/t	375	291	250	296	29%	50%	26%
Other expenses/t	590	541	544	568	9%	8%	4%
Cost/t	4,427	4,258	4,287	4,569	4%	3%	-3%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Key quarterly charts ➤

Figure 3: Cement sales volume declined by 15% yoy and 21% qoq Figure 4: Cement realization declined by ~1% yoy and remained flat qoq in 1QFY25

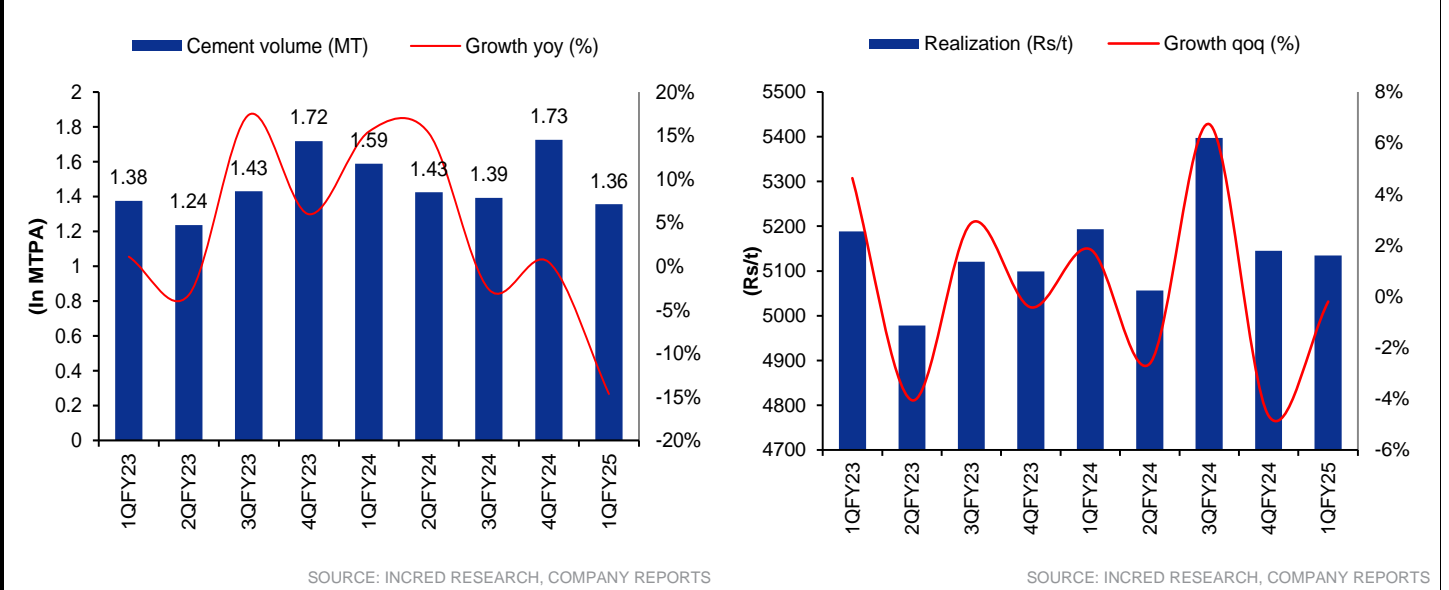
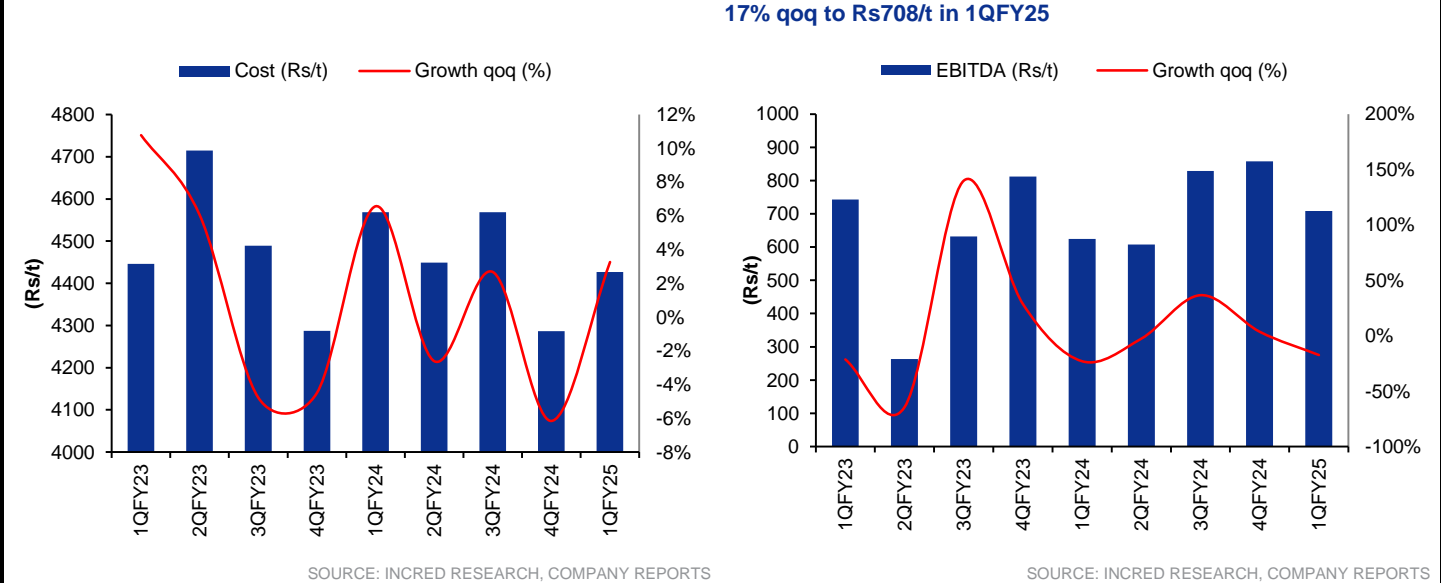


Figure 5: Costs/t declined by 3% yoy in 1QFY25



Key changes ➤

Figure 7: Our revised earnings estimates

Rs. m	New		Change (%)		Old	
	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
Sales	32,202	35,473	-7%	-9%	34,502	38,560
EBITDA	5,068	5,976	-6%	-4%	5,395	6,207
Recurring PAT	2,182	2,648	-4%	4%	2,271	2,534
EPS (Rs.)	10.6	12.9	-4%	4%	11	12

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

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

Rs. m	Incred			Consensus			Change (%)		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Sales	32,202	35,473	39,801	34,479	37,865	43,684	-7%	-6%	-9%
EBITDA	5,068	5,976	7,076	5,287	5,995	7,424	-4%	0%	-5%
PAT	2,182	2,648	3,149	2,306	2,686	3,234	-5%	-1%	-3%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Figure 9: Key assumptions

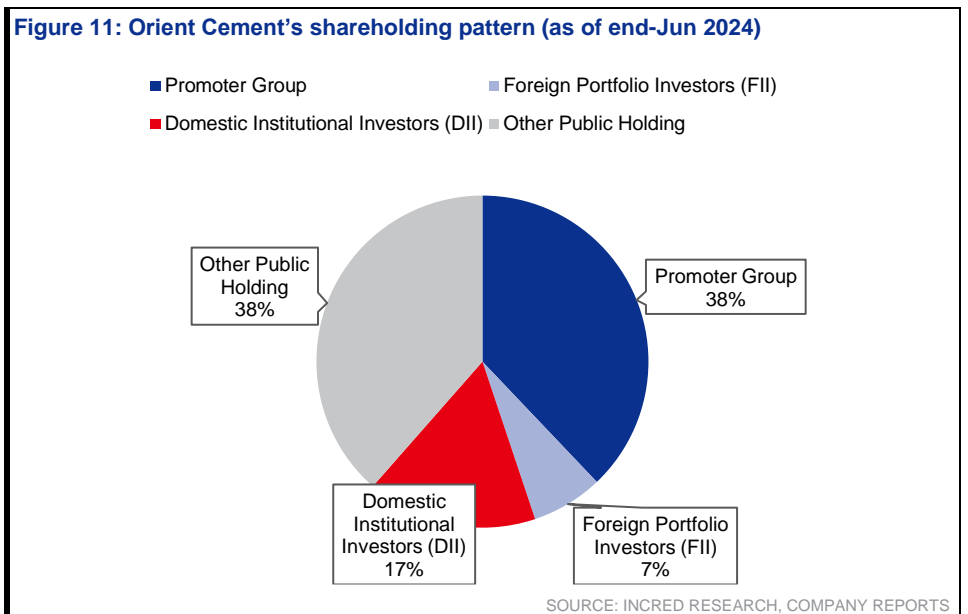
	FY23A	FY24A	FY25F	FY26F	FY27F
Volume (in mtpa)	5.8	6.1	6.2	6.7	7.4
Yoy	5%	6%	1%	8%	10%
Realization (per tonne)	5,100	5,193	5,199	5,303	5,409
Yoy	3%	2%	0%	2%	2%
Cost (per tonne)	4,467	4,461	4,380	4,409	4,447
Yoy	15%	0%	-2%	1%	1%
EBITDA (per tonne)	633	732	818	893	962
Yoy	-41%	16%	12%	9%	8%
EBITDA (Rs m)	3,645	4,492	5,068	5,976	7,076
Yoy	-38%	23%	13%	18%	18%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

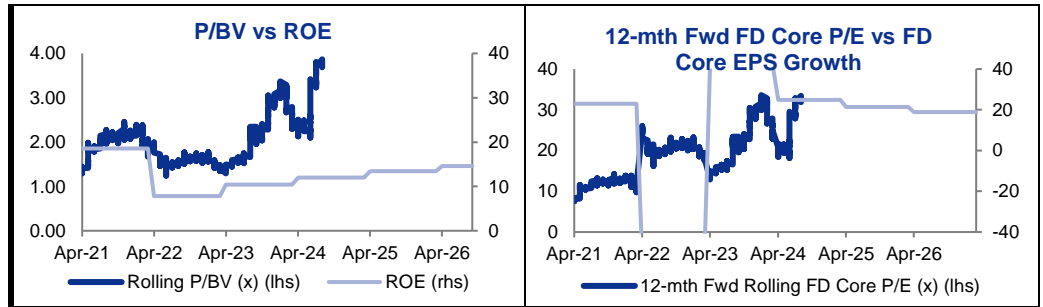
Figure 10: Downgrade to REDUCE rating on the stock from ADD with a Sep 2025 target price of Rs320, set at EV/EBITDA of 10x (9x earlier)

Valuation	TP
Target EV/EBITDA (x)	10.0
Target EV (Rs m)	70,756
Net debt / (cash) (Rs m)	1,051
No. of shares (m)	205
Fair value per share (Rs)	320

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	29,375	31,851	32,202	35,473	39,801
Gross Profit	29,375	31,851	32,202	35,473	39,801
Operating EBITDA	3,645	4,492	5,068	5,976	7,076
Depreciation And Amortisation	(1,468)	(1,492)	(1,551)	(1,644)	(1,776)
Operating EBIT	2,177	3,001	3,516	4,332	5,300
Financial Income/(Expense)	(378)	(342)	(359)	(466)	(676)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	120	155	241	260	281
Profit Before Tax (pre-EI)	1,920	2,814	3,398	4,125	4,904
Exceptional Items					
Pre-tax Profit	1,920	2,814	3,398	4,125	4,904
Taxation	(691)	(1,066)	(1,217)	(1,477)	(1,756)
Exceptional Income - post-tax					
Profit After Tax	1,228	1,749	2,182	2,648	3,149
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,228	1,749	2,182	2,648	3,149
Recurring Net Profit	1,228	1,749	2,182	2,648	3,149
Fully Diluted Recurring Net Profit	1,228	1,749	2,182	2,648	3,149

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	3,645	4,492	5,068	5,976	7,076
Cash Flow from Invt. & Assoc.					
Change In Working Capital	2,206	(122)	555	532	221
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	120	155	241	260	281
Other Operating Cashflow	(4,820)	(428)	(428)	(428)	(428)
Net Interest (Paid)/Received	(378)	(342)	(359)	(466)	(676)
Tax Paid	336	503	(1,217)	(1,477)	(1,756)
Cashflow From Operations	1,110	4,259	3,861	4,397	4,718
Capex	(1,294)	(783)	(3,300)	(7,600)	(10,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	96	(70)			
Cash Flow From Investing	(1,198)	(853)	(3,300)	(7,600)	(10,500)
Debt Raised/(repaid)	547	(2,676)	1,400	3,500	5,500
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(307)	(307)	(393)	(477)	(567)
Preferred Dividends					
Other Financing Cashflow	112	(353)	1,535	1,451	1,361
Cash Flow From Financing	352	(3,336)	2,542	4,474	6,294
Total Cash Generated	264	70	3,103	1,271	512
Free Cashflow To Equity	459	730	1,961	297	(282)
Free Cashflow To Firm	290	3,748	919	(2,737)	(5,106)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	701	771	3,873	5,144	5,656
Total Debtors	1,689	2,244	2,029	2,041	2,181
Inventories	3,509	3,402	3,264	3,304	3,598
Total Other Current Assets	792	434	451	461	517
Total Current Assets	6,692	6,850	9,617	10,951	11,953
Fixed Assets	20,100	20,210	21,959	27,914	36,638
Total Investments	42	115	115	115	115
Intangible Assets	1,397	889	889	889	889
Total Other Non-Current Assets	536	491	491	491	491
Total Non-current Assets	22,076	21,704	23,453	29,408	38,132
Short-term Debt	2,933	590	1,590	2,590	4,590
Current Portion of Long-Term Debt					
Total Creditors	2,147	2,288	2,378	2,581	2,859
Other Current Liabilities	2,957	3,026	3,156	3,547	3,980
Total Current Liabilities	8,037	5,905	7,124	8,718	11,429
Total Long-term Debt	982	705	1,105	3,605	7,105
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	3,712	4,512	6,012	7,512	9,012
Total Non-current Liabilities	4,694	5,217	7,117	11,117	16,117
Total Provisions					
Total Liabilities	12,731	11,122	14,242	19,836	27,547
Shareholders Equity	16,037	17,432	18,829	20,524	22,539
Minority Interests					
Total Equity	16,037	17,432	18,829	20,524	22,539

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	7.8%	8.4%	1.1%	10.2%	12.2%
Operating EBITDA Growth	(38.3%)	23.2%	12.8%	17.9%	18.4%
Operating EBITDA Margin	12.4%	14.1%	15.7%	16.8%	17.8%
Net Cash Per Share (Rs)	(15.68)	(2.56)	5.75	(5.13)	(29.48)
BVPS (Rs)	78.28	85.09	91.91	100.18	110.02
Gross Interest Cover	5.76	8.79	9.80	9.29	7.84
Effective Tax Rate	36.0%	37.9%	35.8%	35.8%	35.8%
Net Dividend Payout Ratio	25.0%	17.6%	36.0%	36.0%	36.0%
Accounts Receivables Days	18.41	22.54	24.22	20.94	19.36
Inventory Days	33.39	39.60	37.78	33.79	31.65
Accounts Payables Days	31.61	29.58	31.39	30.68	30.34
ROIC (%)	9.5%	13.4%	14.9%	15.0%	14.1%
ROCE (%)	11.4%	15.5%	17.5%	18.0%	17.4%
Return On Average Assets	5.8%	7.3%	8.2%	8.5%	8.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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