

IPO Flash

August 07, 2021

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Nuvoco Vistas Corporation Limited

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IPO Details:	
Issue opens	Monday, August 9, 2021
Issue closes	Wednesday, August 11, 2021
Issue size	Rs. 5,000 crore
Type of issue	Fresh issue of Rs. 1,500 crore and Offer for sale (OFS) of Rs. 3,500 crore
Offer size	Fresh issue of 2.63-2.68 crore equity shares and OFS of 6.14-6.25 crore equity shares
Face Value	Rs. 10 per share
Price band	Rs. 560-570 per share
Bid Lot	26 shares and in multiple thereof
Issue Structure	
Institutional portion	Not more than 50%
Non-Institutional portion	Not less than 15%
Retail Portion	Not less than 35%
BRLMs	ICICI Securities, Axis Capital, HSBC Securities and Capital Markets (India), J.P. Morgan India Private, SBI Capital Markets

Source: Company RHP

About IPO

Nuvoco Vistas Corporation Limited (Nuvoco) is coming up with an Initial Public Offer (IPO), which comprises a fresh issue of Rs. 1,500 crore comprising 2.63-2.68 crore equity shares and an OFS of Rs. 3500 crore comprising 6.14-6.25 crore equity shares. The issue is priced at Rs. 560-570 per equity share. The total issue size is Rs. 5000 crore. The company will not receive any proceeds from Offer for Sale.

About the company

Nuvoco Vistas is promoted by Dr. Karsanbhai Patel, who is associated with the Nirma Group. It is the fifth-largest cement company in India and the largest in East India. As on December 31, 2020, its cement production capacity constituted 4.2% of the total cement capacity of India, 17% of Eastern India and 5% of North India. It is one of the leading ready-mix concrete manufacturers in India. 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, it has grown the cement businesses, through acquisitions such as LafargeHolcim in 2016 and in 2020 by acquiring NU Vista. As of March 31, 2021, it has 11 Cement Plants (eight in East India and three in North India) with total cement capacity of 22.32MTPA. It has waste-heat recovery systems at all its integrated plants with a total capacity of 44.7 MW, solar power plants with a total capacity of 1.5 MW and captive power plants with generation capacity of 105 MW. As on March 31, 2021, these generate 50.43% (on a proforma basis) of its total power requirements.

Shareholding pattern

Shareholder	Pre-issue		Post-issue (at lower band)		Post-issue (at upper band)	
	No of shares	Holding (%)	No of shares	Holding (%)	No of shares	Holding (%)
Promoters and its Group	31,50,89,061	95.24	25,25,89,061	70.63	25,36,85,552	71.03
Public and employee trust	1,57,51,303	4.76	10,50,37,017	29.37	10,34,70,601	28.97
Total	33,08,40,364	100.00	35,76,26,078	100.00	35,71,56,153	100.00

Source: Company RHP

Shareholders selling shares

Seller	No. of shares (at lower band)	No. of Shares (at upper band)
Promoter Selling Shareholder		
Niyogi Enterprise Private Ltd	6,25,00,000	6,14,03,509
Total OFS	6,25,00,000	6,14,03,509

Source: Company RHP

Key Features

Largest cement manufacturing company in East India in terms of total capacity

Nuvoco Vistas is the largest cement manufacturer in East India and the fifth-largest cement manufacturer in India in terms of capacity. It has a capacity share of ~17% in terms of consolidated capacity in Eastern India and ~4.7% in terms of consolidated capacity in North India. With a consolidated capacity of 22.32 MTPA, it owns 4.2% of the industry's installed capacity in India as of December 2020. The location of its plants allows it to maintain its leadership position in East India while growing its business in North India. East India is the fastest growing cement markets in India. In addition, its cement plants in Chhattisgarh and Rajasthan are ideally placed to serve the adjacent markets of Uttar Pradesh and Madhya Pradesh in Central India and Maharashtra in West India respectively. It has an extensive portfolio of cement, Ready-Mix Concrete (RMX) and modern building materials to cater to the needs of its customers. As of March 31, 2021, its ratio of Trade Segment sales to Non-trade Segment sales in East India was 76:24, in Central India was 79:21 and in North India was 56:44, which allows it to achieve higher sales volumes and improved margins. Additionally, it is one of the leading industry players in the RMX industry.

Market-leading brands that establish and enhance its leadership as a building materials company with strong brand recognition

It believes that its established record of strong performance and a reputation for quality products in cement, RMX and modern building materials has helped it build reputable brands in the building materials industry in India. It has a comprehensive suite of brands across these segments. Its modern building material products are a key differentiator. Its product suite under this category includes a range of construction chemicals, adhesives, wall putty, dry plaster, cover blocks and dry concrete.

Strategically located cement production facilities that are in close proximity to raw materials and key markets

All of Nuvoco Vistas' units are located within close proximity to the key raw materials required to produce cement, such as limestone, slag and fly ash. Its units are also connected by road and/or rail networks that allow for the easy flow of raw materials and dispatch of finished products to its key markets.

Extensive sales, marketing and distribution network with diversified product portfolio

As on March 31, 2021, it has 244 CFAs (162 in East India and 82 in North India) and 16,076 dealers in India (10,091 in East India and 5,985 in North India). Its extensive network of warehouses, logistics partners and dealers in East and North India gives it a competitive advantage in its operating regions.

Growth in its business and operations from acquisitions and, in particular, the recently concluded acquisition of NU Vista

It has recently successfully completed the acquisition of NU Vista, the cement business of the Emami Group. Pursuant to the acquisition, it is now a leading cement player in India. It is the fifth largest cement company in India and the largest cement company in East India, in terms of capacity, thus ensuring its market-leading presence in each of the core states in East India.

Experienced Individual Promoter and professional management team

It has seen strong growth under the leadership of the Individual Promoter, Dr. Karsanbhai K. Patel, who is a successful entrepreneur committed to becoming a key player in the high-growth building materials industry. The Individual Promoter is associated with the "Nirma Group", a diversified conglomerate that manufactures products ranging from chemicals to detergents, soaps, healthcare and real estate. The Individual Promoter has played a key role in developing its business and it has benefited from his industry expertise, vision and leadership. It also has a well-qualified senior management team with experience across all functions of the building materials industry.

Valuation and view

Nuvoco Vistas Corporation's revenues have grown at a 3% CAGR while operating profit has grown at 26% CAGR over FY2019-FY2021. The company's FY2021 financials are not comparable to FY2020 as Nu Vista acquisition was consolidated in FY2021 (from July 14, 2020 to March 31, 2021). Nuvoco's leadership in Eastern region places it in a healthy demand environment as the region is expected to grow at faster rate. Further, the cement prices in the Eastern region has witnessed strong uptrend in the recent past. The 2.7 MTPA cement capacity expansion and 0.9MTPA clinker de-bottlenecking is expected to aid in capturing higher demand. Nuvoco Vistas' IPO is valued at EV/EBITDA of 18.5x its FY2021 earnings at upper end of the price band.

Peer comparison

Name of the company	Total income (Rs cr)	Face value (Rs)	P/E (x)	EPS (Diluted) (Rs)	Return on Net Worth (%)	NAV per share (Rs)
Nuvoco Vistas Corporation	7,522.69	10	-	-0.82	-0.35%	232.43
Industry Peers						
Ultratech Cement Limited#	45,459.97	10	38.62	189.33	12.36%	153.06
Shree Cement Limited#	13,942.66	10	44.26	633.54	14.82%	428.17
Ambuja Cement Limited##	24,965.76	2	32.4	11.91	10.68%	14.65
ACC Limited##	14,002.72	10	28.31	75.98	11.26%	67.64

Source: Company RHP, # Financial information for the year ended March 31, 2021; ## Financial information for the year ended December 31, 2020.

Key Risks

Dependency on limestone

Its business is dependent upon its ability to mine/procure sufficient limestone for its operations, and its inability to do so on reasonable terms, or at all, could affect its business, financial conditions and results of operations.

Key raw material

It is dependent upon the continued availability of coal, water, labour and raw materials used in the production of cement, the costs and supply of which can be subject to significant variation due to factors outside its control.

Contingent liabilities

Its total contingent liabilities of Rs. 1948.1 crore (excluding amount paid under protest of Rs. 132.5 crore) as a percentage of its net worth, on a consolidated basis, as of March 31, 2021, was 26.60%.

Outstanding legal proceedings

The outstanding litigation involving the company and the subsidiary to the extent quantifiable as on date of the Red Herring Prospectus, as a percentage of networth of the company, on a consolidated basis as of March 31, 2021, was 18.94%.

Cement demand

Any downturn in the major cement consuming sectors or the building industry could affect its business, growth and results of operations.

Regional concentration

For the fiscal year ended March 31, 2021, 81% of its total sales volume were in East India (covering the states such as West Bengal, Chhattisgarh, Jharkhand, Bihar, Odisha and Assam) and 19% of its total sales volume were in North India (covering states such as Rajasthan, Haryana, Delhi and Punjab).

Board of Directors

- ♦ **Dr. Karsanbhai K. Patel** – He is one of the Promoters. He is the founder and promoter of the Nirma group, engaged in manufacturing of diversified products including chemicals like soda ash, caustic soda and linear alkyl benzene, cement, healthcare, and consumer goods like detergents, soaps and edible salt. He has several years of experience in cement, consumer goods, chemicals and the healthcare industry.

- ♦ **Niyogi Enterprise Private Limited** – It is corporate promoter. The promoter of Niyogi Enterprise Private Limited is Dr. Karsanbhai K. Patel. Niyogi Enterprise Private Limited was incorporated as a private limited company on January 22, 2019 in Ahmedabad, India.
- ♦ **Mr. Hiren Patel** – He is the Chairman and a non-executive Director. He has been on the Board since November 11, 2017. He has been associated with the Nirma group since the year 1997. He has experience in the cement, consumer goods, chemicals and health care industry.
- ♦ **Mr. Jayakumar Krishnaswamy** – He is the Managing Director. He has been on the Board since September 17, 2018. He is responsible for the cement, RMX and modern building materials divisions. He has previously been associated with Hindustan Unilever Limited and Akzo Nobel India Limited.
- ♦ **Mr. Kaushikbhai Patel** is a Non-executive Director. He has been on the Board since November 9, 2017. He has experience in strategy, financial planning, mergers and acquisitions, direct tax and capital markets. He has been associated with Nirma Limited since 2002.
- ♦ **Mr. Berjis Desai** is an Independent Director. He has been on the Board since January 3, 2017. He has experience in private client practice, business laws, transactional and dispute resolution. He has previously been associated as a managing partner with J. Sagar Associates, Advocates & Solicitors.
- ♦ **Mrs. Bhavna Doshi** is an Independent Director. She has been on the Board since January 3, 2017. She holds a Master's degree in commerce from the University of Mumbai. She is a qualified chartered accountant. She has previously been associated as partner in chartered accountant firms like B. S. Mehta & Co., RSM & Co. and Bharat S. Raut & Co. (member firm of KPMG in India).
- ♦ **Mr. Achal Bakeri** is an Independent Director. He has been on the Board since April 7, 2021. He holds a diploma in architecture from Centre for Environmental Planning and Technology (CEPT) Ahmedabad and a master's degree in business administration from the University of Southern California, USA. He has experience in air cooler industry. He is the promoter, chairman and managing director of Symphony Limited.

Key management personnel

Mr. Maneesh Agrawal is the Chief Financial Officer. He joined the company with effect from October 10, 2017. He is responsible for the overall finance and information management functions of the cement, RMX and modern building materials divisions of the company. He has over two decades of experience primarily in cement, RMX and paper businesses.

Mrs. Shruta Sanghavi is the Company Secretary and Compliance Officer. She is responsible for secretarial functions. She has experience in agro-chemicals, automobile, and logistics industries.

Mr. Sanjay Joshi is the Chief Manufacturing Officer. He joined the company w.e.f. December 10, 2018. He is responsible for the manufacturing function for the cement and RMX business line of the company.

Mr. Raakesh Jain is the Chief Sales Officer (cement). He joined the company in 2007. He is responsible for the sales of cement of the company. He has experience in sales and marketing of cement manufacturing companies.

Mr. Joydeep Chatterjee is the Chief Projects & Corporate Affairs Officer. He joined the company in the year 2008. He is responsible for overseeing the projects and CSR activities and corporate affairs of the company. He has experience in project management and operations.

Mr. Prashant Jha is the Chief of RMX. He joined the company w.e.f. February 1, 2019. He is responsible for sales of RMX. He has experience in construction and ready-mix concrete industry.

Mrs. Manisha Kelkar is the Chief Human Resources Officer. She joined the company in the year 2009. She is responsible for human resources and management development of the company. She has experience in human resource development of IT service management companies, business process management companies, technology solutions companies and consumer products manufacturing companies.

Mrs. Madhumita Basu is the Chief Strategy & Marketing Officer. She joined the company in 2010. She is responsible for strategy and marketing for all businesses of the company. She has experience in strategic planning, sales, marketing, business development and IT.

Mr. Ashish Palod is the Chief Procurement Officer. He joined the company in the year 2004. He is responsible for the sourcing strategy and its implementation across business verticals of the company.

FINANCIALS

Consolidated Profit & Loss account (Re-stated)

Rs crore

Particulars	FY19	FY20	FY21
Income			
Revenue from operations	7,052	6,793	7,489
Other income	54	37	34
Total income	7,106	6,830	7,523
Expenses			
Cost of materials consumed	1,397	1,274	1,032
Purchase of stock in trade	13	18	48
Changes in inventories	35	-61	127
Power and fuel	1,374	1,226	1,356
Freight and forwarding charges	1,983	1,776	2,029
Excise duty on sale of goods			
Employee benefits expense	381	405	482
Finance costs	457	419	664
Depreciation and amortisation expense	498	528	794
Other expenses	951	860	954
Total expenses	7,089	6,443	7,486
Profit before tax	17	387	37
Tax expense:			
1. Current tax	64	90	46
2. Deferred tax	-1	48	27
3. Tax expense relating to earlier years	-20	0	-11
Profit for the year	-26	249	-26

Source: Company RHP

Consolidated Cash Flow Statement

Particulars	FY19	FY20	FY21
Net cash generated from operating activities	860	1025	1717
Net cash used in investing activities	-149	-310	-2924
Net cash used from/in financing activities	-647	-559	1420
Net increase in cash & cash equivalent	65	156	213
Cash & cash equivalent at beginning of the year	34	98	254
Additions through business combination			26
Cash & cash equivalent at the end of the year	98	254	493

Source: Company RHP

Consolidated Balance Sheet

Rs crore

Particulars	FY19	FY20	FY21
Non-current assets			
(a) Property, plant and equipment	6065	6221	9324
(b) Capital work-in-progress	605	647	1236
(c) Investment property	1	1	1
(d) Goodwill	2444	2444	3278
(e) Other intangible assets	1276	1203	2109
(f) Right of use assets	109	102	329
(g) Intangible assets under development			4
(h) Financial assets			
(i) Investments	0	0	0
(ii) Loans	0	0	2
(iii) Other non-current financial assets	581	579	787
(i) Income tax assets (net)	113	134	133
(j) Other non-current assets	63	107	191
Current assets			
(a) Inventories	585	603	712
(b) Financial assets			
(i) Investments	456		384
(ii) Trade receivables	500	511	454
(iii) Cash and cash equivalents	98	254	493
(iv) Bank balances other than (iii) above	26	257	35
(v) Loans	1	2	3
(vi) Other financial assets	184	258	210
(c) Income tax assets (net)	13	1	2
(d) Other current assets	142	120	220
Total Assets	13262	13444	19908
Equity and liabilities			
Equity			
(a) Equity share capital	200	242	315
(b) Other equity	4788	5037	7009
Total Equity	4988	5279	7324
Liabilities			
Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	3318	2931	5561
(iii) Other financial liabilities	53	53	63
(ii) Lease liabilities	44	34	89
(b) Provisions	61	70	81
(c) Deferred tax liabilities (net)	1393	1442	1881
(d) Other non-current liabilities			2
Current liabilities			
(a) Financial liabilities			
(i) Borrowings		661	198
(ii) Trade payables- total outstanding dues of			
a. Micro enterprises and Small enterprises	5	12	57
b. Creditors other than Micro enterprises and Small	759	775	851
(iii) Other financial liabilities	1884	1517	2735
(iv) Lease liabilities	13	16	61
(b) Other current liabilities	427	334	574
(c) Provisions	316	320	431
Total Liabilities	8273	8165	12584
Total Equity and Liabilities	13262	13444	19908

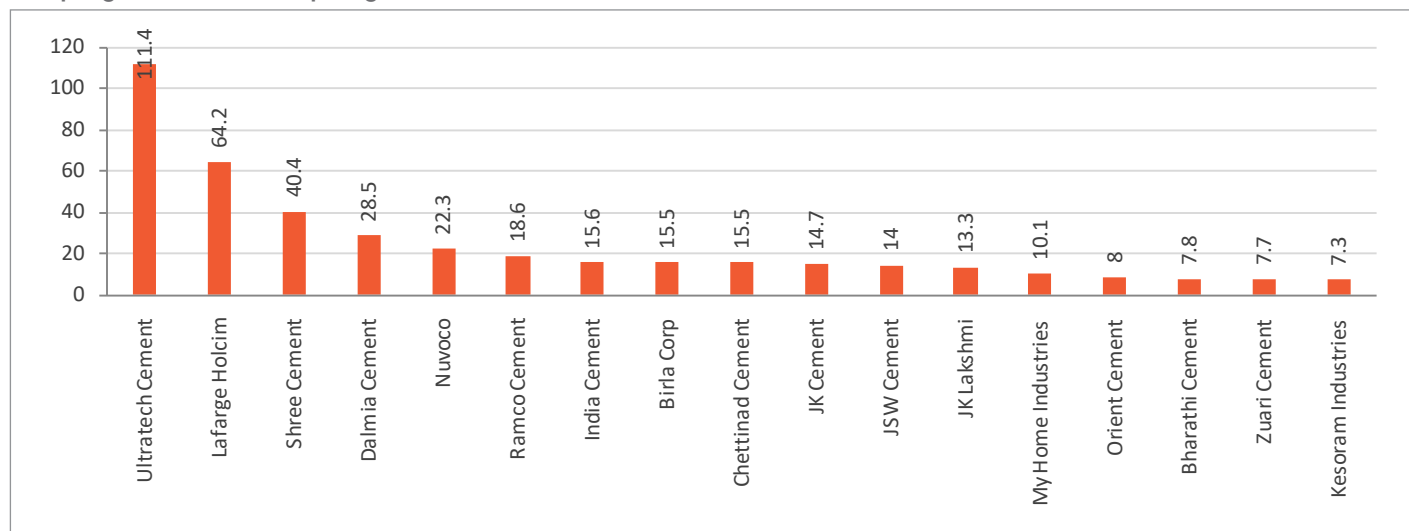
Source: Company RHP

Industry Overview

Player-wise domestic capacity of the key players in the industry

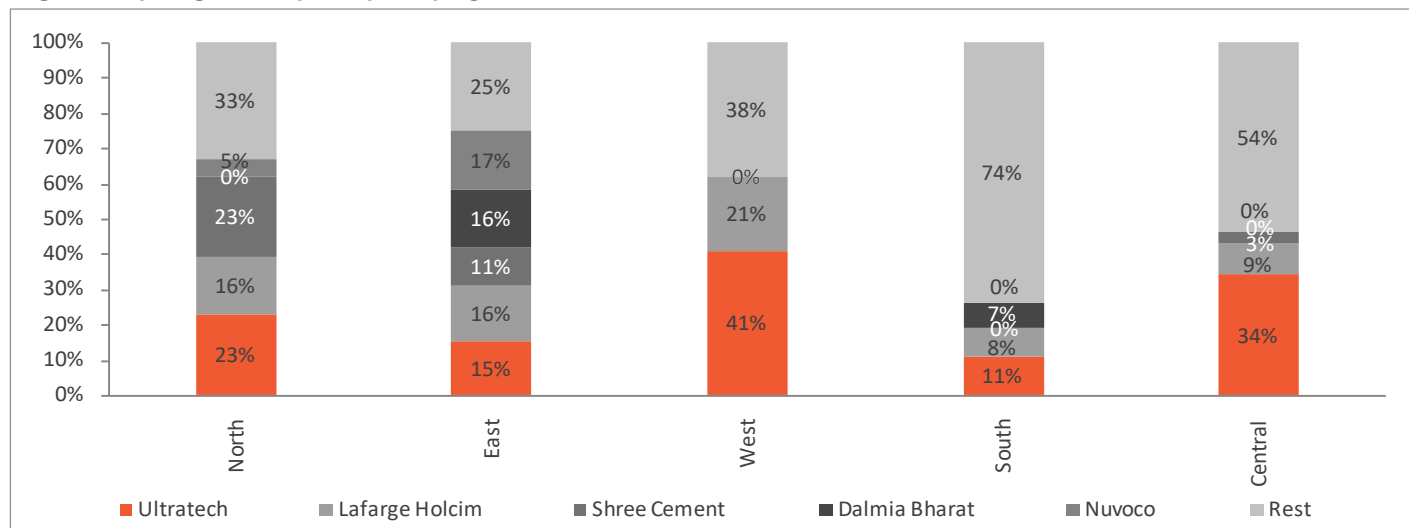
The top 5 players have been gaining market share over the last five years through various acquisitions. Acquisition of Jaypee's assets (17.2 MTPA; 4 MTPA under construction) and Century Textiles & industries (14.6 MTPA) has helped Ultratech Cement consolidate its position in Western and Central region. Similarly, acquisition of Emami Cements by Nuvoco Vistas Corp Limited has led to the player becoming the leading player in the eastern region. This has helped the large players consolidate their position across regions with the top 5 players accounting for over ~50.5% of pan-India capacity.

Company-wise domestic capacity



Source: Company RHP

Regional capacity break-up of top five players



Source: Company RHP

Expected capacity additions over FY21-26

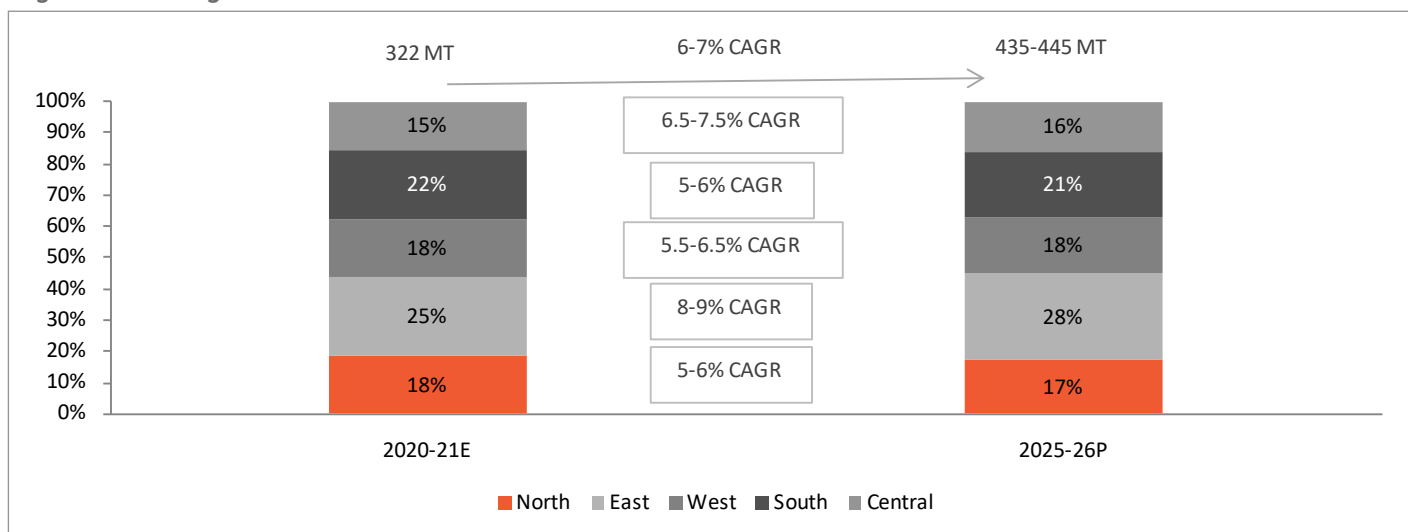
Cement Industry to potentially witness 125-135 MTPA of capacity additions in the next five years. The cement industry is estimated to have added ~24 million tonnes of grinding capacity in 2020-21 over 22 MTPA of capacities commissioned in 2019-20. As of 2020-21, CRISIL Research estimates overall installed capacity of 540-542 MTPA (adjusted for period of commissioning this would be close to 525 MTPA on an effective basis). The capacity additions is expected to remain robust with nearly 125-130 MT capacity expected to be added in over span of FY21-26. The total installed capacity is estimated to be around ~645 MTPA by FY26 with capacity utilization of 70-72%.

Eastern and Central regions to drive demand growth in the longer run

The Eastern and Central regions will continue to drive cement demand in India in the medium term on the back of continued government development of infrastructure and housing in these regions, along with a low base of development. Per-capita income and per capita cement consumption of the eastern and central regions are well below pan-India numbers and thus provides huge scope for potential growth. North, West and South India, which are home to the more industrialised states in India, have seen relatively lower demand growth in the past and will continue to lag behind the other two regions in the future as well.

Among the three relatively well-developed regions of North, West and South India, demand growth in West and South India is optical in nature due to the low base of 2020 to 2021, where both regions witnessed a sharper decline in demand.

Regional demand growth outlook



Source: Company RHP

RMX market in India

Player Name	No of Plants	Sales volume (lakh m3)	Revenue (Rs cr)
ACC	90	35.2	1306
Ultratech cement	108	-	2147
Nuvoco Vistas	60	27.1	1088
Prism Johnson	106	-	1413
India Cements	9	2.8	110
The Ramco Cement	12	0.33	14

Source: Company RHP

Company-wise presence in construction chemicals and others

Companies	AAC Block	Waterproofing	Tile Adhesives	Plasters	Grout
Ultratech Cement	✓	✓	✓	✓	✓
ACC Limited	✓	✓	✓	✓	✓
Ambuja Cement	✓	✓	✓	✓	✓
Dalmia Bharat	✗	✗	✗	✓	✗
Shree Cement	✓	✗	✗	✗	✗
Nuvoco Vistas	✗	✓	✓	✓	✗

Source: Company RHP

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