

**RESEARCH****ORIENT CEMENT | COVERAGE DROP**

Await growth strategy from acquirer; drop active coverage

**SUMMARY****ORIENT CEMENT**

- Q2 reported revenue declined 25%/22% YoY/QoQ to ~Rs 5.44bn, driven by double-digit dip in volume. Realisation fell YoY
- EBITDA/t fell steeply by 33%/42% YoY/QoQ to Rs 405/t. Adjusted PAT dropped 91%/94% YoY/QoQ to Rs 23mn
- We have a SELL rating, but await a clear growth strategy from Adani Cement (acquirer). Till then we drop active coverage on ORCMNT

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**COVERAGE DROP**

**ORIENT CEMENT**

| Cement

| 18 November 2024

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**Muted revenue performance driven by impact of lower volumes:** ORCMNT reported muted revenue decline of 25%/22% YoY/QoQ to ~Rs 5.44bn in Q2FY25 driven by a double-digit dip in volume due to which realisation fell YoY. Volumes fell by ~23%/20% YoY/QoQ to 1.09mnt (excluding clinker sales), while realisation fell 2%/3% YoY/QoQ to Rs 4,982/t indicating continued weakness in the performance.

**Fall in operating cost supported EBITDA margin:** Operating cost increased by 3.1% YoY/QoQ to Rs 4,577/t. Energy expenses (raw material adjusted) fell 7% YoY (flat QoQ) to Rs 2,050/t due to waste heat recovery systems savings, decline in pet coke prices and increased usage of alternative fuels and raw material. Logistics cost grew 5% YoY (flat QoQ) to Rs 1,411/t as lead distance stayed above 300km. Other expenditure fell 13%/11% YoY/QoQ to Rs 711mn and EBITDA by 49%/54% YoY/QoQ to ~Rs 442mn. Overall EBITDA margin dropped from 400bps/570bps YoY/QoQ to 8.1%. EBITDA/t fell by 33%/42% YoY/QoQ to Rs 405/t. Adjusted PAT fell 91%/94% YoY/QoQ to Rs 23mn.

**Acquisition of ORCMNT by Ambuja Cement:** Ambuja Cement will acquire a 37.9% equity stake in ORCMNT from the existing promoters (entire stakes), and an additional 8.9% stake from certain shareholders (extended members of the current promoters). It will further announce an open offer to acquire up to 26% stake taking the total stake to 72.8%. The transaction is valued at an equity value of Rs 81bn at a share price of Rs 395.4 and shall be funded through internal accruals.

**Drop active coverage:** We had assigned a SELL rating prior to ORCMNT's acquisition by Adani Cement as valuations shot up over the past one to two quarters and stayed above 12x-13x, clearly unjustified given limited growth prospects and the likelihood of mounting earnings pressure. The major run-up was on the consolidation buzz. Following the acquisition of ORCMNT by Adani Cement, we await clarity on growth plans charted by the acquirer for ORCMNT, including organic and inorganic growth, funding for said growth and change in the marketing strategy from the non-premium to the premium category. Thus, we drop active coverage on ORCMNT with this note.

Ticker/Price	ORCMNT IN/Rs 334
Market cap	US\$ 811.3mn
Free float	62%
3M ADV	US\$ 9.0mn
52wk high/low	Rs 379/Rs 182
Promoter/FPI/DII	38%/6%/11%

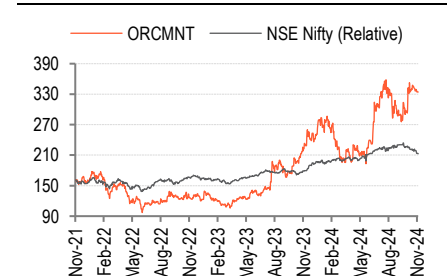
Source: NSE | Price as of 18 Nov 2024

**Key financials**

Y/E 31 Mar	FY22A	FY23A	FY24A
Total revenue (Rs mn)	30,640	31,417	31,851
EBITDA (Rs mn)	5,911	3,646	4,492
Adj. net profit (Rs mn)	2,633	1,229	1,749
Adj. EPS (Rs)	12.8	6	8.5
Adj. ROAE (%)	18.6	7.9	10.4
Adj. P/E (x)	26	55.7	39.2
EV/EBITDA (x)	12.0	19.7	15.5
Adj. EPS growth (%)	22.9	(53.3)	42.3

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**



Source: NSE



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