FIRST LIGHT

01 October 2025

RESEARCH

[INITIATION] NUVOCO VISTAS CORPORATION | TARGET: Rs 427 | +1% | HOLD

Poised for growth, but leverage limits upside; assign HOLD

CONSUMER STAPLES

Roll forward of valuation to Sep-27 on pre-GST forecasts

BOB ECONOMICS RESEARCH | BORROWING PROGRAMME

Gross Borrowing: Central Government

SUMMARY

[INITIATION] NUVOCO VISTAS CORPORATION

- Nuvoco's organic capacity will assist ~10% volume growth in FY26E; capacity addition to help stay on growth trajectory in FY27E/FY28E
- Operationally, continues to stay sound with higher capacity utilisation (~77%) and conversion ratio (77%) for the next 2 years
- Net debt over Rs50bn a key concern; value NUVOCO at 9x EV/EBITDA Sep 2027 earnings, arriving at TP of Rs427. Assign HOLD

Click here **for the full report.**

CONSUMER STAPLES

- HUL update indicates that GST transition has created short-term sales volatility in FMCG, with Sep, Oct demand adversely impacted
- Retain pre-GST forecasts. Risk of downside on 2Q, 3Q; upside on 4Q. We roll forward valuation to Sep 2027 EPS
- Valuation rollover to Sep 27 driven changes to ratings – Upgrade to Buy - Marico, UB and Dabur. Downgrade to Sell; Zydus Wellness

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INDIA ECONOMICS: BORROWING PROGRAMME

The government borrowing programme plays important role as a medium of funding public expenditure, though the medium of government securities and T-bills. The study takes a closer look at the borrowing programme through GSecs for the last 6-years, in terms of the borrowing pattern across tenors. Further, the borrowing pattern also plays a vital role in determining interest rates. With the recent announcement of borrowing calendar for H2FY26, 10Y bond yields have moderated given the higher allocation.

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HOLD
TP: Rs 427 | ⮝ 1%

NUVOCO VISTAS CORPORATION | Cement | 30 September 2025

Poised for growth, but leverage limits upside; assign HOLD

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Well geared for healthy growth: NUVOCO has a capacity of 25 mn tonnes and healthy clinker capacity of 13.5 mn tonnes assisting ~10% growth in FY26. FY27 and FY28 growth will be backed by new capacities (Vadraj Cement addition).

High-capacity utilisation rates and clinker conversion ratio: NUVOCO has maintained an average capacity utilisation rate at ~77% for the period FY20-25 and is expected to maintain a higher (~80%) CU from FY25-28E. Similarly, its eastern region presence has helped it to maintain higher cement clinker conversation rate of ~80% (FY20-25) and will maintain a higher CC ratio of ~70% in the next 3 years.

Regional diversification to help defuse concentration risk: NUVOCO currently have 76% capacity in the eastern region and 24% in the North. However, with new capacity in the West and debottlenecking in North India, concentration risk will be reduced with eastern exposure at 61% and increased exposure in better realisation markets like West (19%) and North (20%) helping improved earnings quality.

Secured raw material reserves: NUVOCO has total operational limestone reserves of ~800mn secured for the next 25-40 years with only ~7% of the reserves going for auction in the near period (2030-2034). This indicates long-term secured limestone reserves. Similarly, the company has entered into a long-term agreement with Tata Steel till 2047 that guarantees supply and inflation indexed price escalation.

Focus on margin expansion: Focus on margin expansion with diversified regions, additional railway sidings (details on page 6) and the use of cost-effective power (captive, WHRS and solar) will help improve margins in the next 2-3 years.

Balance sheet debt to continue: NUVOCO has tilt on higher leverage with its long-term debt (average) in Rs40-50bn range and we expect no change in till FY28.

Valuation and Rating: Our estimates build a revenue/EBITDA CAGR of ~4%/13% over FY23-28E backed by new capacities and cost efficiencies. We value the stock at 9x EV/EBITDA (Sep 2027) and arrive at a target price of Rs427. We initiate coverage with a HOLD rating on the stock.

Ticker/Price	NUVOCO IN/Rs 423
Market cap	US$ 976.0mn
Free float	28%
3M ADV	US$ 6.3mn
52wk high/low	Rs 438/Rs 411
Promoter/FPI/DII	72%/4%/19%

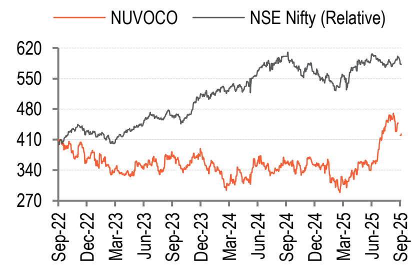
Source: NSE | Price as of 29 Sep 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,03,567	1,11,220	1,20,686
EBITDA (Rs mn)	13,720	17,972	20,297
Adj. net profit (Rs mn)	218	3,431	4,372
Adj. EPS (Rs)	0.6	9.6	12.2
Consensus EPS (Rs)	12.0	13.8	13.8
Adj. ROAE (%)	0.2	3.8	4.6
Adj. P/E (x)	691.3	44.0	34.5
EV/EBITDA (x)	8.4	6.4	6.1
Adj. EPS growth (%)	(85.2)	1471.0	27.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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30 September 2025

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Sector Summary: Hindustan Unilever update indicates that GST transition has created short-term sales volatility in FMCG, with September and October demand adversely impacted. Distributors are reducing inventory and aligning to new price points. 2QFY26 and 3QFY26 carry downside risk. Upside risk exists for the March 2026 quarter assuming trade stabilises. Our forecasts exclude the GST impact for now. More clarity should emerge as companies report 2QFY26 results and update on pipeline inventory, its pricing status and GST-benefit pass through status at point of sales. Using existing, pre-GST EPS forecasts 12 months to Sep-27, and pre-GST assigned P/E valuation multiples, the derived target prices indicate an upgrade and downgrade of stocks. Upgrades to Buy are Marico, Dabur and United Breweries. Downgrade to Sell is Zydus Wellness.

Marico: Marico has multiple growth levers in place such as improving margins via changes in sales and mix, reducing commoditized portfolio exposure, and increasing presence in the high growth digital space. We expect volumes to gather pace in 2HFY26 as competitors follow pricing. High growth Food and Premium Personal Care portfolios will continue the improving sales and profitability trajectory.

Tata Consumer: Normalisation of tea costs should help margins from 2HFY26. Normalisation of tea costs should help margins from 2HFY26. Medium to long term, overall margin profile should improve with the scale up in growth businesses and mix accretion from Capital Foods and Organic India.

Hindustan Unilever: HUVR's industry leading distribution network and a diversity of portfolio enables benefit from the combination of its rural exposure – to tap into the rising the consumption in value segment; and focus on premiumization – to capture a greater share of the fast growth affluent, and affluent plus consumer segments.

ITC: Prospects remain from share gains from illicit trade in cigarettes and distribution gains driven scale up of FMCG businesses.

BORROWING PROGRAMME

30 September 2025

Gross Borrowing: Central Government

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The government borrowing programme plays important role as a medium of funding public expenditure, though the medium of government securities and T-bills. The study takes a closer look at the borrowing programme through GSecs for the last 6-years, in terms of the borrowing pattern across tenors. Further, the borrowing pattern also plays a vital role in determining interest rates. With the recent announcement of borrowing calendar for H2FY26, 10Y bond yields have moderated given the higher allocation.

Background:

- The borrowing programme of the central government has shown different tendencies as the government has moved along the path of fiscal consolidation. In FY25, the gross borrowing was down by 8.5% against an increase of 8.5% in the previous year.

- As per the borrowing pattern (Fig 1) for the last 6-years, it can be noted that the majority borrowing takes place in H1 period. The long run average during this period has been above 55% mark across all the years as against the 46% long run average noted for H2.

- Table 2, details the maturity bucket over the years. Tenor wise, it can be noted that the share of securities across the tenors were equally distributed in FY21 and FY22. Interestingly in FY24, for both H1 and H2 it can be clearly seen the preference is largely towards longer dated securities, since there is advantage of pushing the repayments ahead.

- Fig 3, notes the movement of 10Y yield in the span of last 6-years, across both H1 and H2. The average 10Y yield in H1FY26 has moderated to 6.38% against 6.98% for the same period of previous year.

- Table 4, shows the switch auctions that has taken place in FY24 and FY25, which helps manage costs and repayments. The number of switches in FY25 has been lower than FY24. For FYTD26, higher number of switches have been conducted. This number is expected to increase further in H2 given higher repayment expected in the latter half as the calendar.

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BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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