



# Pick of the week

## Orient Cement (ORCMNT)

Recommendation: **ADD**

Current Price: ₹163

Potential Upside: 16.6%

Time Period: 12 Month

Target Price: ₹190

### Why invest?

- Deleveraging continues at an impressive pace given strong margins and limited capex. The company has pre-paid all its debt maturities due till FY22.
- We estimate net debt/EBITDA to reduce to 0.5x in FY22E from 3.1x/1.2x in FY20/21.
- With a stronger balance sheet, ORCMNT is now working on growth projects. The company will spend Rs1500-2000 crs on these projects over FY22-25E.
- In Q1FY21, EBITDA/ton increased to Rs1,368/ton (+14% yoy, +25% qoq; KIE: Rs1,167/ton)
- Management expects costs to peak in H1FY22 and expects some moderation in H2FY22.
- Recent amendments to the mining act should allow the company to transfer a limestone mining lease in Rajasthan to its name without additional royalty payment.
- Our Fair Value is based on 6x September 2023E EV/EBIT-DA.