

Heidelberg Cement

Operating performance remains subdued

Heidelberg (HEIM) reported weak set of numbers for 3QFY24 as EBITDA came in 25% below our expectation owing to sequential increase in operating costs. In spite of the increased competition in the central region, company reported decent volume growth of 10.3% YoY. However, with elections code of conduct on the verge of kicking in, we believe demand to remain subdued till 2QFY25 exerting near term pressure on volume growth. The lack of meaningful capacity addition coupled with increasing competition would likely constrain HEIM's growth going forward. Our long term rationale remains unchanged as we expect the stock to underperform the sector owing to the absence of the long term capital allocation plan. We have tweaked our FY25/FY26 EBITDA estimates downward by 7.9%/7.8% and now bake in 5.2% revenue and 11.1% EBITDA CAGR for the company over FY23-26. We maintain our Sell rating on the stock with a revised target price of Rs167 (Rs168 earlier).

3QFY24 results summary

HEIM reported revenue of Rs6bn, up 12.4 % YoY. Volumes at 1.21mn mt increased by 10.3% YoY against our expectation of 8% growth. Realizations at Rs5,026 was up 3.2% QoQ. Operating costs/mt of Rs4,484 is down 2.4% YoY and up 4.9% QoQ. All the cost components inched upwards on a YoY basis while Power & fuel costs declined by 16.7% YoY to Rs1,310/mt. EBITDA at Rs655mn is up 76% YoY on weak base of past year but 25% below our estimate. EBITDA/mt as a result came in at Rs542/mt against our expectation of Rs734/mt. As at 3QFY24, the cash & bank balance stood at Rs5.7bn as against interest free borrowings of Rs 1.3bn.

Valuations imply acquisition premium

HEIM stock is up 20% over the last 3 months. At CMP it is trading at 9.5X FY26 EV/EBITDA but asset based valuation is still at US\$85/mt. Given the recent acquisition/merger deals in the cement industry, HEIM is considered an acquisition target and hence the stock is factoring in acquisition premium. We continue to value the stock at 7x Sep25 EV/EBITDA given weak volume growth ahead in the absence of any capex plans.

Maintain Sell with TP of Rs167

We have assigned lowest EV/EBITDA multiple within our coverage of 7x for HEIM owing to lack of capacity addition and sub-par volume growth. We have tweaked our FY25/FY26 EBITDA estimates downward by 7.9%/7.8% and now bake in 5.2% revenue and 11.1% EBITDA CAGR for the company over FY23-26. We maintain our sell rating on the stock.

Financial and valuation summary

YE Mar (Rs mn)	3QFY24A	3QFY23A	YoY (%)	2QFY24A	QoQ (%)	FY24E	FY25E	FY26E
Revenues	6,071	5,401	12.4	5,665	7.2	23,796	25,717	27,265
EBITDA	655	371	76.5	695	(5.8)	3,340	4,210	4,512
EBITDA margin (%)	10.8	6.9	57.1	12.3	(12.1)	14.0	16.4	16.5
Adj. Net profit	315	56	464.0	358	(12.1)	1,779	2,494	2,785
Adj. EPS (Rs)	1.4	0.2	464.0	1.6	(12.1)	7.9	11.0	12.3
EPS growth (%)						6.7	40.2	11.7
PE (x)						29.3	20.9	18.7
EV/EBITDA (x)						14.0	10.8	9.8
PBV (x)						3.2	3.0	2.9
RoE (%)						11.0	15.0	15.8
RoCE (%)						11.9	15.8	16.8

Source: Company, Centrum Broking

Please see Disclaimer for analyst certifications and all other important disclosures.

Result Update

India I Cement

05 February, 2024

SELL

Price: Rs235

Target Price: Rs167

Forecast return: -29%

Institutional Research

Market Data

Bloomberg:	HEIM IN
52 week H/L:	247/153
Market cap:	Rs53.2bn
Shares Outstanding:	226.6mn
Free float:	27.0%
Avg. daily vol. 3mth:	5,20,833

Source: Bloomberg

Changes in the report

Rating:	Sell; Unchanged
Target price:	-1% from Rs168 to Rs167
EBITDA:	FY24: -21.6%; FY25: -7.9%

Source: Centrum Broking

Shareholding pattern

	Dec-23	Sep-23	Jun-23	Mar-23
Promoter	69.4	69.4	69.4	69.4
FIs	4.3	3.9	4.7	4.8
DIs	11.1	10.0	10.1	11.4
Public/other	15.2	16.7	15.8	14.5

Source: BSE

Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q3FY24	Actual Q3FY24	Variance (%)
Revenue	5,846	6,071	3.8
EBITDA	868	655	-24.6
EBITDA margin	14.8	10.8	(407) bps
Adj. PAT	480	315	-34.4
EPS (Rs)	2.1	1.4	-34.4

Source: Bloomberg, Centrum Broking



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Cement

Thesis Snapshot

Estimate revision

YE Mar (Rs mn)	FY24E New	FY24E Old	% chg	FY25E New	FY25E Old	% chg
Revenue	23,796	24,725	-3.8	25,717	26,591	-3.3
EBITDA	3,340	4,259	-21.6	4,210	4,569	-7.9
EBITDA margin	14.0	17.2	(319) bps	16.4	17.2	(81) bps
Adj. PAT	1,779	2,472	-28.0	2,494	2,765	-9.8
Diluted EPS (Rs)	7.9	10.9	-28.0	11.0	12.2	-9.8

Source: Centrum Broking

Heidelberg Cement versus NIFTY Midcap 100

	1m	6m	1 year
HEIM IN	(2.3)	19.9	33.7
NIFTY Midcap 100	2.1	28.6	59.4

Source: Bloomberg, NSE

Key assumptions

Y/E Mar	FY24E	FY25E
Capacity (mn mt)	6.26	6.26
Volumes (mn mt)	5.0	5.3
Realizations (Rs/mt)	4,775	4,869
Operating expense (Rs/mt)	4,105	4,072
EBITDA/mt (Rs)	670	797
Capex Rs mn	-1,000	-1,000
Net Debt Rs mn	-5,232	-6,575

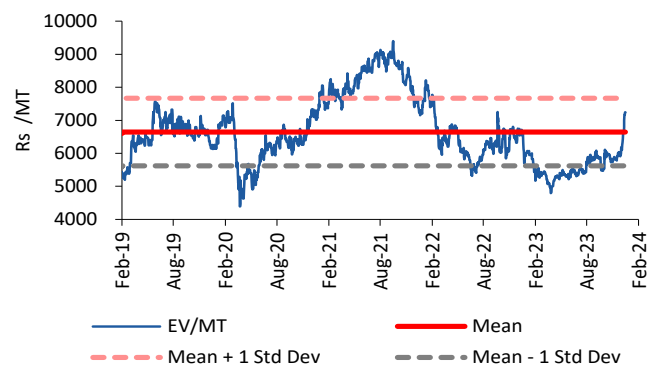
Source: Centrum Broking

Valuations

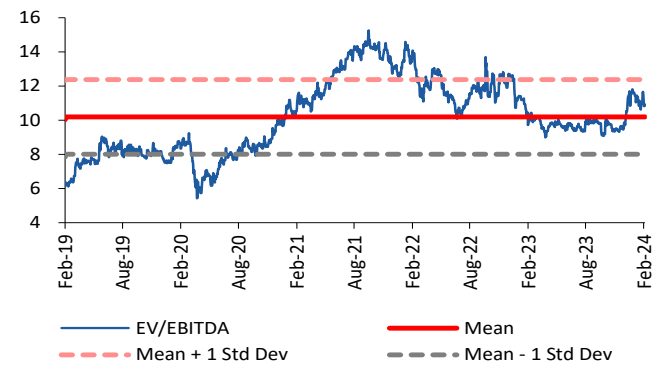
We have tweaked our FY25/FY26 EBITDA estimates downward by 7.9%/7.8% and now bake in 5.2% revenue and 11.1% EBITDA CAGR for the company over FY23-26. We maintain our sell rating on the stock.

Valuations	Rs/share
Sep'25 EBITDA	4,361
Target multiple (x)	7.0
Enterprise value	30,525
Less: Net debt	(7,209)
Equity value	37,734
No of shares (mn)	226.6
Target price (Rs)	167

1-year forward EV/MT



EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

Peer comparison

Company	Mkt Cap (Rs bn)	CAGR (FY23-25E)			EV/EBITDA (x)			EV/mt (US\$)			FY25E	
		Sales	EBITDA	EPS	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	RoE (%)	ROCE (%)
ACC	478	-0.2%	30.0%	48.4%	23.3	16.4	13.2	149.3	134.9	131.2	12%	15%
Ambuja Cement	1,377	0.2%	15.3%	5.9%	40.2	32.3	27.8	502.1	381.2	282.3	6%	8%
Birla Corporation	118	10.8%	49.3%	315.2%	20.0	10.0	8.4	92.2	91.3	80.7	10%	9%
Heidelberg Cement	52	4.8%	13.1%	22.3%	14.7	14.0	10.8	93.5	90.8	88.2	15%	17%
JK Cement	334	20.2%	37.0%	55.1%	27.2	17.0	14.7	186.0	172.5	163.0	22%	15%
JK Lakshmi Cement	107	10.4%	19.3%	21.7%	13.9	11.7	10.1	100.8	104.4	88.1	16%	14%
Nuvoco Vistas	127	6.5%	26.7%	422.3%	14.1	9.5	8.0	87.0	80.8	75.6	5%	8%
Sagar Cements	35	24.3%	79.1%	160.7%	30.8	14.7	10.4	69.4	62.8	55.3	7%	8%
Shree Cements	1,025	12.6%	30.4%	29.7%	34.2	24.2	20.1	262.8	230.5	180.0	11%	18%
Star Cements	74	17.5%	24.0%	27.9%	15.3	14.9	10.5	152.9	120.5	94.9	14%	16%
The Ramco Cements	231	15.2%	32.5%	57.6%	23.2	16.2	13.0	151.2	148.4	143.3	11%	11%
Ultratech Cements	2,874	11.4%	20.9%	31.5%	27.3	22.2	18.6	265.0	265.3	226.7	14%	15%

Source: Company, Centrum Broking

Exhibit 1: HEIM - 3QFY24 detailed financials

Y/E March (Rsmm)	3QFY23	2QFY24	3QFY24	YoY (%)	QoQ (%)	9MFY23	9MFY24	YoY (%)
Net Sales	5,401	5,665	6,071	12.4	7.2	16,361	17,692	8.1
Expenditure								
Chg. in stock	215	62	346	60.8	NA	-18	436	(2,576.1)
RM consumption	1,009	1,017	1,071	6.2	5.4	3,024	3,173	4.9
Purchase of traded goods	-	-	-	-	-	-	-	0.0
Employee cost	279	359	359	28.7	(0.1)	935	1,078	15.3
Freight Costs	779	824	888	14.0	7.8	2,196	2,585	17.7
Power and fuel	1,721	1,676	1,582	(8.1)	(5.6)	5,720	5,017	(12.3)
Other exp	1,027	1,033	1,170	13.9	13.3	2,706	3,126	15.5
Total Operating Expenses	5,030	4,970	5,417	7.7	9.0	14,564	15,414	5.8
EBITDA	371	695	655	76.5	(5.8)	1,797	2,278	26.8
EBITDA Margin (%)	6.9%	12.3%	10.8%	392bps	(149)bps	11.0%	12.9%	189bps
Other Income	106	143	131	24.0	(8.3)	318	407	28.0
Interest Costs	109	86	85	(22.0)	(1.2)	396	262	(33.7)
Depreciation	287	269	274	(4.6)	1.9	849	813	(4.2)
PBT	80	483	426	432.9	(11.6)	871	1,610	84.8
Tax	24	125	112	361.2	(10.4)	229	414	80.8
Exceptional Items	-	-	-	-	-	-	-	-
Reported PAT	56	358	315	464.0	(12.1)	642	1,196	86.3
Adjusted PAT	56	358	315	464.0	(12.1)	642	1,196	86.3
NPM(%)	1.0%	6.3%	5.2%	415bps	(114)bps	3.9%	6.8%	284bps
EPS (Rs.)	0.2	1.6	1.4	464.0	(12.1)	2.8	5.3	86.3

Source: Centrum Broking, Company Data

Exhibit 2: 3QFY24 operational performance

Operational Data	3QFY23	2QFY24	3QFY24	YoY (%)	QoQ (%)	9MFY23	9MFY24	YoY (%)
Volume (mn mt)	1.1	1.2	1.2	10.3	3.9	3.2	3.6	11.5
Cement Realisation (Rs/mt)	4,933	4,871	5,026	1.9	3.2	5,103	4,950	(3.0)
Operating Costs (Rs/mt)	4,594	4,273	4,484	(2.4)	4.9	4,543	4,313	(5.1)
EBITDA (Rs/mt)	339	598	542	60.0	(9.3)	561	637	13.7

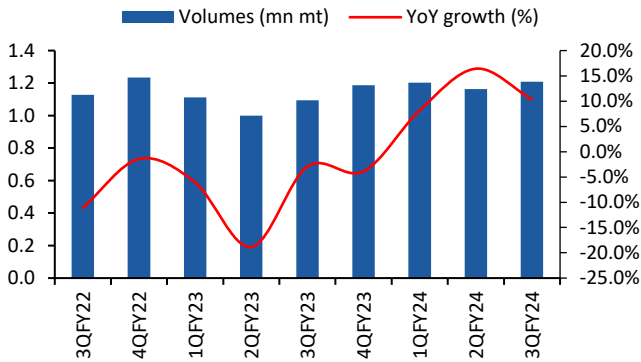
Source: Centrum Broking, Company Data

Exhibit 3: Trend in operating costs/mt

Costs/mt (Rs)	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	YoY (%)	QoQ (%)
RM consumption	1,062	839	803	890	1,118	846	926	927	1,173	4.9	26.5
Employee cost	273	283	305	318	255	333	300	309	297	16.7	(3.8)
Freight, packing etc	617	632	663	680	712	776	725	708	735	3.3	3.8
Power and fuel	1,357	1,588	1,892	1,897	1,572	1,692	1,462	1,441	1,310	(16.7)	(9.1)
Other exp	912	722	787	804	938	846	767	888	969	3.3	9.1
Operating costs/mt	4,221	4,064	4,450	4,589	4,594	4,493	4,179	4,273	4,484	(2.4)	4.9
EBITDA/mt	607	794	855	476	339	583	772	598	542	60.0	(9.3)

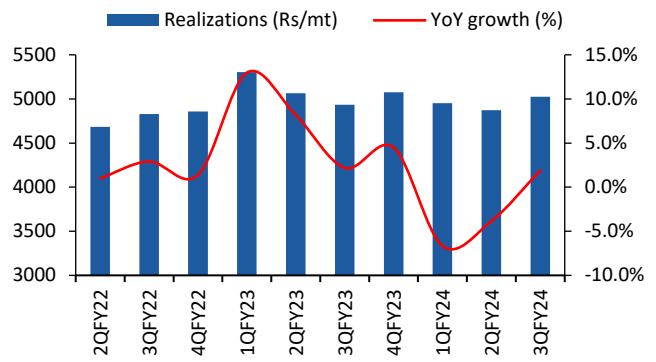
Source: Centrum Broking, Company Data

Exhibit 4: Volumes increased by 10.3% YoY



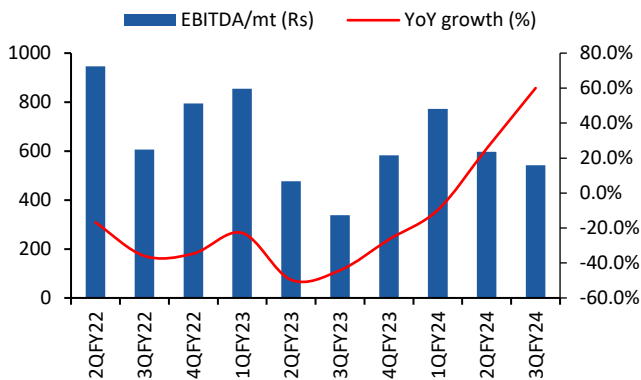
Source: Centrum Broking, Company Data

Exhibit 5: Realizations up 3.2% QoQ



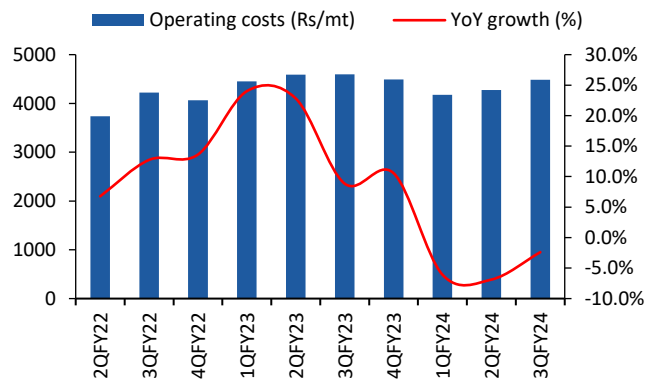
Source: Centrum Broking, Company Data

Exhibit 6: EBITDA/mt at Rs542



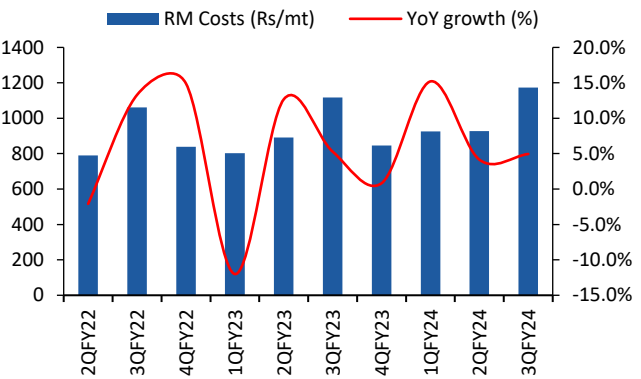
Source: Centrum Broking, Company Data

Exhibit 7: Operating costs declined 2.4% YoY



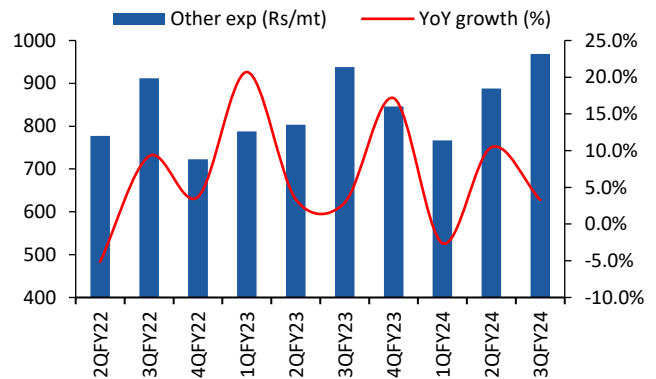
Source: Centrum Broking, Company Data

Exhibit 8: RM costs increased by 4.9% YoY



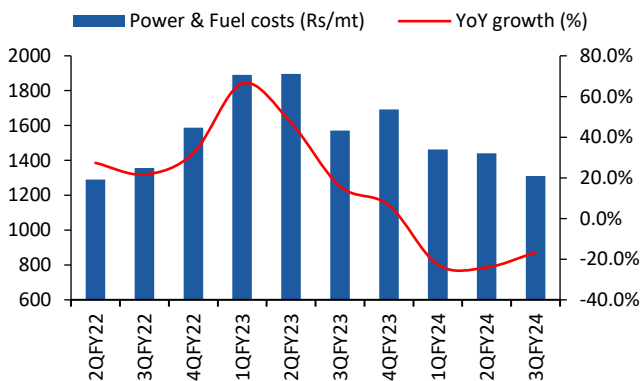
Source: Centrum Broking, Company Data

Exhibit 9: Other expenses up by 3.3% YoY



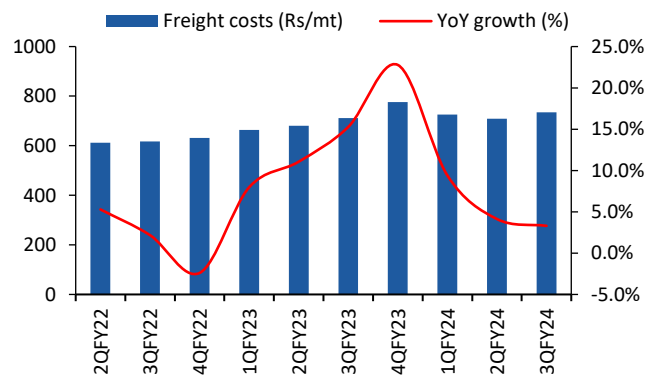
Source: Centrum Broking, Company Data

Exhibit 10: Power and fuel costs declined by 16.7% YoY



Source: Centrum Broking, Company Data

Exhibit 11: Freight costs up by 3.3% YoY



Source: Centrum Broking, Company Data

Exhibit 12: Key changes to our assumptions and estimates

YE Mar (Rs mn)	FY24E	FY24E	% chg	FY25E	FY25E	% chg
	New	Old		New	Old	
Revenue	23,796	24,725	-3.8	25,717	26,591	-3.3
EBITDA	3,340	4,259	-21.6	4,210	4,569	-7.9
EBITDA margin	14.0	17.2	(319) bps	16.4	17.2	(81) bps
Adj. PAT	1,779	2,472	-28.0	2,494	2,765	-9.8
Diluted EPS (Rs)	7.9	10.9	-28.0	11.0	12.2	-9.8

YE Mar	FY24E	FY24E	% chg	FY25E	FY25E	% chg
	New	Old		New	Old	
Volumes (mn mt)	5.0	5.1	-1.8	5.3	5.4	-1.8
Realization (Rs/mt)	4,775	4,871	-2.0	4,869	4,943	-1.5
Operating exp/mt	4,105	4,032	1.8	4,072	4,093	-0.5
EBITDA/mt	670	839	-20.1	797	849	-6.2

Source: Centrum Broking

Exhibit 13: Valuation summary

Particulars	(Rs mn)
Sep25 EBITDA	4,361
Target multiple (x)	7.0
Enterprise value	30,525
Less: Net debt	(7,209)
Equity value	37,734
No of shares (mn)	226.6
Value per share (Rs)	167

Source: Centrum Broking, Company Data

P&L					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenues	22,970	23,399	23,796	25,717	27,265
Operating Expense	13,668	14,960	15,054	15,768	16,727
Employee cost	1,307	1,371	1,403	1,466	1,533
Others	3,649	3,776	3,999	4,273	4,494
EBITDA	4,346	3,292	3,340	4,210	4,512
Depreciation & Amortisation	1,121	1,157	1,208	1,259	1,314
EBIT	3,225	2,135	2,132	2,951	3,197
Interest expenses	364	375	311	278	257
Other income	491	453	541	637	757
PBT	3,351	2,213	2,362	3,311	3,697
Taxes	829	546	582	816	912
Effective tax rate (%)	24.7	24.7	24.7	24.7	24.7
PAT	2,523	1,667	1,779	2,494	2,785
Minority/Associates	0	0	0	0	0
Recurring PAT	2,523	1,667	1,779	2,494	2,785
Extraordinary items	0	0	0	0	0
Reported PAT	2,523	1,667	1,779	2,494	2,785

Ratios					
YE Mar	FY22A	FY23A	FY24E	FY25E	FY26E
Growth (%)					
Revenue	8.5	1.9	1.7	8.1	6.0
EBITDA	(14.2)	(24.2)	1.4	26.0	7.2
Adj. EPS	(19.9)	(33.9)	6.7	40.2	11.7
Margins (%)					
Gross	81.3	82.9	80.6	80.6	80.6
EBITDA	18.9	14.1	14.0	16.4	16.5
EBIT	14.0	9.1	9.0	11.5	11.7
Adjusted PAT	11.0	7.1	7.5	9.7	10.2
Returns (%)					
ROE	16.5	10.5	11.0	15.0	15.8
ROCE	16.5	11.4	11.9	15.8	16.8
ROIC	16.7	10.9	11.7	16.8	18.6
Turnover (days)					
Gross block turnover ratio (x)	1.0	1.0	1.0	1.0	1.0
Debtors	6	6	7	6	6
Inventory	142	167	149	141	144
Creditors	228	264	249	235	233
Net working capital	55	58	57	65	73
Solvency (x)					
Net debt-equity	(0.2)	(0.2)	(0.3)	(0.4)	(0.4)
Interest coverage ratio	11.9	8.8	10.7	15.2	17.5
Net debt/EBITDA	(0.9)	(1.2)	(1.6)	(1.6)	(1.7)
Per share (Rs)					
Adjusted EPS	11.1	7.4	7.9	11.0	12.3
BVPS	69.1	70.4	71.7	75.5	79.8
CEPS	16.1	12.5	13.2	16.6	18.1
DPS	8.0	6.0	6.6	7.2	8.0
Dividend payout (%)	71.6	81.3	83.8	65.8	64.8
Valuation (x)					
P/E	20.7	31.3	29.3	20.9	18.7
P/BV	3.3	3.3	3.2	3.0	2.9
EV/EBITDA	11.1	14.7	14.0	10.8	9.8
Dividend yield (%)	3.5	2.6	2.9	3.1	3.5

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Equity share capital	2,266	2,266	2,266	2,266	2,266
Reserves & surplus	13,386	13,698	13,986	14,841	15,822
Shareholders fund	15,652	15,964	16,253	17,107	18,088
Minority Interest	0	0	0	0	0
Total debt	1,566	1,066	566	266	(34)
Non Current Liabilities	478	497	517	538	560
Def tax liab. (net)	2,175	2,175	2,175	2,175	2,175
Total liabilities	19,872	19,703	19,511	20,086	20,789
Gross block	22,449	23,469	24,469	25,469	26,669
Less: acc. Depreciation	(6,912)	(8,070)	(9,278)	(10,537)	(11,851)
Net block	15,537	15,400	15,191	14,932	14,818
Capital WIP	270	50	50	50	50
Net fixed assets	15,807	15,450	15,241	14,982	14,868
Non Current Assets	589	561	535	511	490
Investments	0	0	0	0	0
Inventories	1,731	1,923	1,852	2,018	2,167
Sundry debtors	400	420	441	463	486
Cash & Cash Equivalents	5,318	4,882	5,799	6,841	7,810
Loans & advances	4,390	5,128	4,564	4,580	4,855
Other current assets	0	0	0	0	0
Trade payables	2,645	3,133	3,177	3,249	3,505
Other current liab.	3,482	3,202	3,324	3,545	3,766
Provisions	2,236	2,326	2,419	2,516	2,616
Net current assets	3,476	3,693	3,735	4,593	5,431
Total assets	19,872	19,703	19,511	20,086	20,789

Cashflow					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Profit Before Tax	3,351	2,213	2,362	3,311	3,697
Depreciation & Amortisation	1,121	1,157	1,208	1,259	1,314
Net Interest	364	375	311	278	257
Net Change – WC	(1,692)	(653)	874	185	130
Direct taxes	(829)	(546)	(582)	(816)	(912)
Net cash from operations	2,315	2,546	4,173	4,216	4,487
Capital expenditure	(634)	(800)	(1,000)	(1,000)	(1,200)
Acquisitions, net	0	0	0	0	0
Investments	0	0	0	0	0
Others	1,611	29	26	23	21
Net cash from investing	977	(771)	(974)	(977)	(1,179)
FCF	3,292	1,775	3,199	3,239	3,308
Issue of share capital	0	0	0	0	0
Increase/(decrease) in debt	(179)	(500)	(500)	(300)	(300)
Dividend paid	(1,807)	(1,355)	(1,491)	(1,640)	(1,804)
Interest paid	(364)	(375)	(311)	(278)	(257)
Others	61	19	20	21	22
Net cash from financing	(2,289)	(2,211)	(2,282)	(2,197)	(2,339)
Net change in Cash	1,003	(436)	917	1,043	968

Source: Company, Centrum Broking

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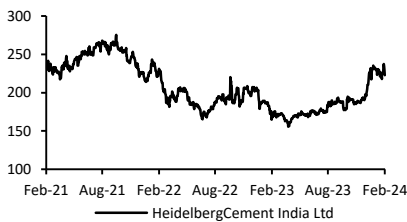
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Heidelberg Cement



Source: Bloomberg

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