


Mixed Earnings; Maintain SELL
Est. Vs. Actual for Q1FY26: Revenue – BEAT; EBITDA Margin – MISS; PAT – MISS
Change in Estimates post Q1FY26 (Abs)
FY26E/FY27E: Revenue: 1%/1%; EBITDA: -2%/-4%; PAT: -4%/-8%

Recommendation Rationale

- **Volume Growth:** The company reported a volume growth of 11% YoY in Q1FY26, driven by better demand in its operating region, which was above expectations. Consequently, we revise our volume growth guidance marginally higher to. 4.9 mtpa from 4.8 mtpa. The company is expected to achieve a volume growth of 3% CAGR over FY24-FY27E.
- **Decline in Realisation:** Realisation on a QoQ basis declined by 2% to Rs 4,765, which was below the expectation of Rs 4,925. We, therefore, pencil in a lower margin for FY26E and revise our estimates downward.

Sector Outlook: Positive

Company Outlook & Guidance: Key demand drivers such as Housing and infrastructure are expected to continue supporting cement consumption. The company has guided volume growth of 6–7% in FY26.

Current Valuation: 9x FY27E EV/EBITDA (Earlier Valuation: 9x FY27E EV/EBITDA)

Current TP: Rs 175 /share (Earlier TP: Rs 175/share)

Recommendation: We maintain our **SELL** rating on the stock

Alternative BUY Ideas from our Sector Coverage: UltraTech Cement Ltd (TP-13,840/share), Dalmia Bharat (TP-2,550/share), ACC Ltd (TP-2,260/share)

Financial Performance

Heidelberg Cement reported a mixed set of numbers in Q1FY26, with volume and revenue largely above expectations, while EBITDA, EBITDA margin, and PAT fell short. Revenue, EBITDA, and PAT grew by 12%/13%/21% YoY, respectively, driven by better volume. Net profit stood at Rs 48 Cr, up 21% YoY, but below our expectation of Rs 62 Cr. The quarter's volume was recorded at 1.25 Mn TPA, reflecting an 11% YoY increase. EBITDA per tonne was up 2% QoQ to Rs 706. Blended realisation per tonne stood at Rs 4,765, down 2% QoQ. Operating costs declined 2% QoQ to Rs 4,055 per tonne.

Outlook

The company reported robust volume growth during the quarter; however, the QoQ decline in realisation came as a surprise. While efforts are underway to de-bottleneck existing clinker capacity to enable future volume gains, we remain cautious. Though there was a marginal improvement in operating performance YoY, we prefer to wait for a sustained improvement before revisiting our assessment.

Valuation & Recommendation

The stock is currently trading at 15x/12 FY26E/27E EV/EBITDA. We maintain our **SELL** rating on the stock with a TP of Rs 175/share, implying a downside of 19% from the CMP.

Key Financials (Standalone)

(Rs Cr)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance %
Net Sales	598	-2	12	584	2%
EBITDA	89	-2	12	104	-15%
EBITDA Margin	14.8%	0bps	10bps	17.8%	(300bps)
Net Profit	48	-4	21	62	-22%
EPS (Rs)	2.12	-4	21	2.73	-22%

Source: Company, Axis Securities Research

(CMP as of 29th July, 2025)

CMP (Rs)	217
Upside /Downside (%)	(19%)
High/Low (Rs)	258/181
Market cap (Cr)	4,924
Avg. daily vol. (6m)Shrs.	4,40,000
No. of shares (Cr)	22.7

Shareholding (%)

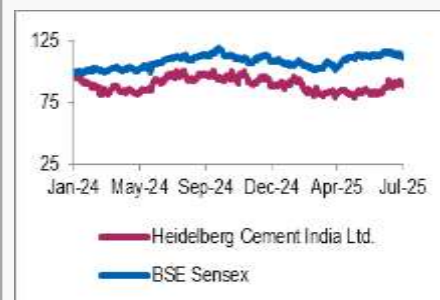
	Dec-24	Mar-25	Jun-25
Promoter	69.4	69.4	69.4
FII's	2.3	2.3	1.4
MFs / UTI	9.0	9.6	10.3
Banks / FIs	0.0	0.0	0.0
Others	19.3	18.7	18.9

Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	2,149	2,356	2,566
EBITDA	239	294	366
Net Profit	107	155	206
EPS (Rs)	5	7	9
PER (x)	48	33	25
P/BV (x)	2.3	2.3	2.2
EV/EBITDA	19.0	15.3	12.2
RoE (%)	11	14	18

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	1%	1%
EBITDA	-2%	-4%
PAT	-4%	-8%

Relative Performance


Source: Ace Equity

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Key Result Highlights

- **Capacity Expansion:** The company is debottlenecking its clinker capacity at its MP plant with a capital cost of Rs 70 Cr, aiming to increase clinker capacity by 2 Lc tonnes annually. This facility is expected to become operational in Q1FY26. It has acquired limestone mines in Central India and is in the process of locating land for setting up the plant. Heidelberg is awaiting environmental clearance from the Gujarat government for setting up a Greenfield plant in the state.
- **Volume:** The company reported an 11% YoY increase in volumes. Blended cement accounted for 98% of total sales during the quarter.
- **Pricing:** Cement realisation declined by 2% QoQ, reaching Rs 4,765/tonne.
- **Power/Fuel:** Power and fuel costs decreased by 3% YoY to Rs 1,235/tonne. The company increased consumption of non-grid power to the extent of 50% by increasing usage of multiple sources of power, such as Waste Heat Recovery, power purchase through long-term power purchase agreements and spot power purchases on energy exchange.
- **Freight:** Freight costs inched higher by 1% YoY to Rs 732 per tonne on selling Cement in far markets.
- **Debt/Cash:** As of 30th Jun'25, the company reported a cash and bank balance of Rs 570 Cr and remains net debt-free.
- **Capex:** Capex guidance for FY26 stands at Rs 60 Cr.

Key Risks to Our Estimates and TP

- Lower realisation and demand in its key market and a delay in capacity expansion.
- Higher input costs may impact margins.

Change in Estimates

	New		Old		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	2,356	2,566	2325	2534	1%	1%
EBITDA	294	366	300	383	-2%	-4%
PAT	155	206	161	224	-4%	-8%

Source: Company, Axis Securities

Result Review Q1FY26

(Rs Cr)	Quarterly Performance				
	Q1FY26	Q4FY25	Q1FY25	Chg QoQ	% Chg YoY
Net sales	598	612	532	-2%	12%
Expenditure	509	522	454	-2%	12%
EBITDA	89	91	78	-2%	13%
Other income	9	11	12	-16%	-22%
Interest	6	5	9	25%	-26%
Depreciation	27	27	28	-1%	-4%
PBT	65	70	53	-7%	21%
Tax	16	19	14	-14%	21%
Adjusted PAT	48	50	40	-4%	21%
EBITDA margin (%)	14.8%	14.8%	14.7%	0bps	10bps
EPS (Rs)	2.12	2.22	1.76	-4%	21%

Source: Company, Axis Securities Research

Volume/Realisation / Cost Analyses

(Rs Cr)	Quarterly Performance				
	Q1FY26	Q4FY25	Q1FY25	Chg QoQ	% Chg YoY
Volume/mnt	1.25	1.26	1.13	0%	11%
Realisation/tonne (Rs)	4765	4876	4,710	-2%	1%
Cost/tonne (Rs)	4059	4155	4019	-2%	1%
Raw material/tonne (Rs)	844	1021	771	-17%	10%
Staff Cost/tonne (Rs)	315	380	349	-17%	-10%
Power & Fuel/tonne (Rs)	1235	1190	1277	4%	-3%
Freight/tonne (Rs)	732	758	724	-3%	1%
Other Expenses /tonne (Rs)	933	805	899	16%	4%
EBITDA/tonne (Rs)	706	722	691	-2%	2%

Source: Company, Axis Securities

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25	FY26E	YY27E
Net sales	2366	2149	2356	2566
Other operating income	0	0	0	0
Total income	2366	2149	2356	2566
Raw Material	462	442	485	519
Power & Fuel	670	559	597	633
Freight & Forwarding	350	328	354	375
Employee benefit expenses	153	157	164	175
Other Expenses	415	423	461	498
EBITDA	317	239	294	366
Other income	55	45	48	51
PBIDT	371	285	343	417
Depreciation	110	110	113	118
Interest & Fin Chg.	35	29	22	20
E/o income / (Expense)	0	0	0	0
Pre-tax profit	227	146	209	279
Tax provision	59	39	54	73
RPAT	168	107	155	206
Minority Interests	0	0	0	0
Associates	0	0	0	0
APAT after EO item	168	107	155	206

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
Total assets	2661	2542	2562	2630
Net Block	1438	1457	1427	1411
CWIP	28	110	110	110
Investments	0	0	0	0
Wkg. cap. (excl cash)	-79	-68	-73	-76
Cash / Bank balance	555	478	509	575
Misc. Assets	720	565	589	609
Capital employed	2661	2542	2562	2630
Equity capital	227	227	227	227
Reserves	1243	1169	1165	1213
Minority Interests	0	0	0	0
Borrowings	111	111	111	111
Def Tax Liabilities	205	197	197	197
Other Liabilities and Provision	88	84	86	88

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
Profit before tax	227	146	209	279
Depreciation	110	110	113	118
Interest Expenses	32	27	22	20
Non-operating/ EO item	-54	-45	-48	-51
Change in W/C	98	74	5	3
Income Tax	-63	-49	-54	-73
Operating Cash Flow	349	263	245	296
Capital Expenditure	-74	-109	-82	-103
Investments	0	0	0	0
Others	26	43	48	51
Investing Cash Flow	-48	-66	-34	-51
Borrowings	-63	-69	0	0
Interest Expenses	-17	-17	-22	-20
Dividend paid	-158	-181	-159	-159
Others	-4	-4	0	0
Financing Cash Flow	-24	-27	-18	-18
Change in Cash	60	-79	31	66
Opening Cash	473	533	454	484
Closing Cash	533	454	484	551

Source: Company, Axis Securities Research

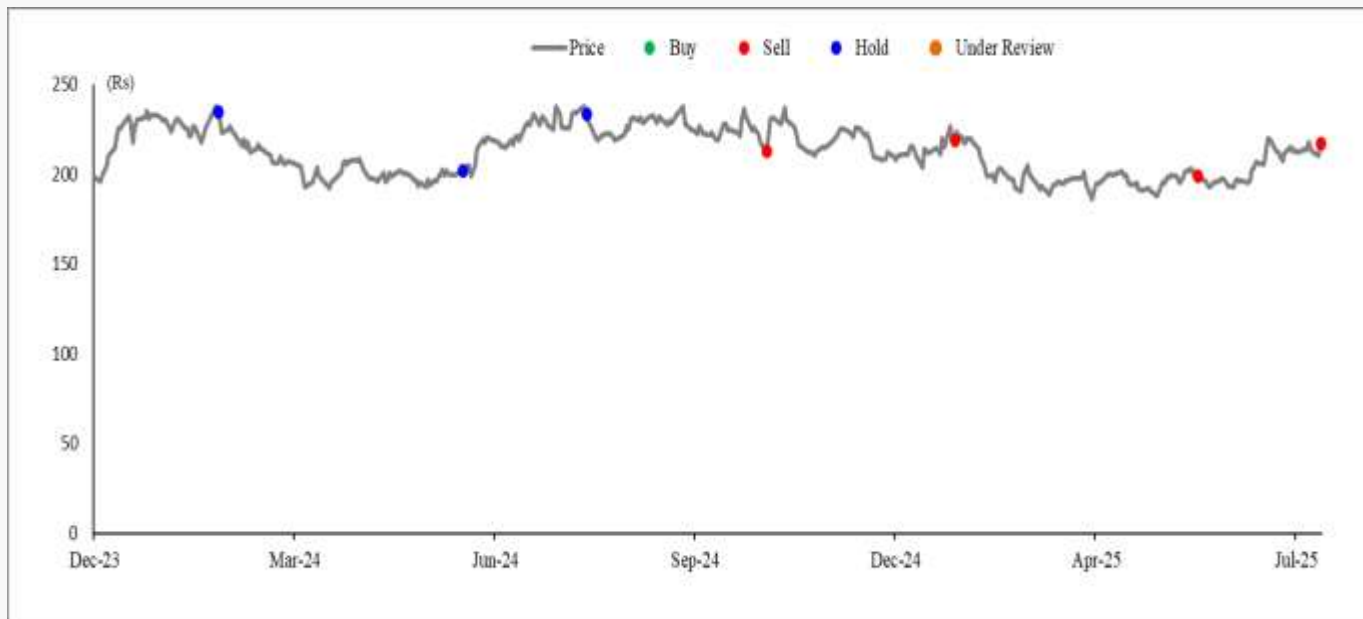
Ratio Analysis

(%)

Y/E March	FY24	FY25	FY26E	FY27E
Operational Ratios				
Sales growth	6%	-9%	10%	9%
OPM	13%	11%	13%	14%
Op. profit growth	16%	-20%	14%	16%
COGS / Net sales	63%	62%	61%	59%
Overheads/Net sales	24%	27%	27%	26%
Depreciation / G. block	8%	8%	8%	8%
Efficiency Ratios				
Total Asset Turnover (x)	0.89	0.85	0.92	0.98
Sales/Gross block (x)	1.01	0.90	0.96	1.00
Sales/Net block(x)	1.61	1.48	1.63	1.81
Working capital/Sales (x)	-0.13	-0.17	-0.16	-0.15
Valuation Ratios				
P/E	31	48	33	25
P/BV (x)	2.2	2.3	2.3	2.2
EV/Ebitda (x)	14	19	15	12
EV/Sales (x)	1.9	2.1	1.9	1.7
EV/Tonne \$ (x)	85	84	83	82
Return Ratios				
ROE	11	7	11	15
ROCE	15	11	14	18
ROIC	21	15	21	28
Leverage Ratios				
Debt/equity (x)	0.08	0.08	0.08	0.08
Net debt/ Equity (x)	-0.30	-0.26	-0.29	-0.32
Interest Coverage ratio (x)	4.70	0.92	1.21	1.57
	7.53	5.98	10.66	14.68
Cash Flow Ratios				
OCF/Sales	0.15	0.12	0.10	0.12
OCF/Ebitda	1.10	1.10	0.83	0.81
OCF/Capital Employed	0.20	0.16	0.15	0.18
FCF/Sales	0.13	0.06	0.07	0.08
Payout ratio (Div/NP)	108.1	148.6	102.4	76.9
AEPS (Rs.)	7.4	4.7	6.8	9.1
AEPS Growth	69.1	-36.4	45.1	33.2
CEPS (Rs.)	12	10	12	14
DPS (Rs.)	8	7	7	7

Source: Company, Axis Securities Research

Heidelberg Cement Price Chart and Recommendation History



Date	Reco	TP	Research
07-Nov-23	HOLD	180	Result Update
01-Feb-24	HOLD	220	Result Update
03-Jun-24	HOLD	200	Result Update
01-Aug-24	HOLD	215	Result Update
29-Oct-24	SELL	195	Result Update
30-Jan-25	SELL	165	Result Update
30-May-25	SELL	175	Result Update
30-Jul-25	SELL	175	Result Update

Source: Axis Securities Research

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