

# HSIE Results Daily

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# Heidelberg Cement

## Volume disappoints; margin recovers

We maintain our REDUCE rating on Heidelberg Cement (HEIM), with an unchanged target price of INR 160/share (7x Mar-26E EBITDA). During Q4FY24, HEIM lost market share, and its volume recorded muted growth of 4% YoY (+2% QoQ). On a 5-year basis, volume remains flattish. NSR declined 4% QoQ owing to price correction in central markets. Unit opex declined 7% QoQ led by lower fuel prices and other expenses. Thus, unit EBITDA recovered INR 140/180 YoY/QoQ to INR 721/MT. As per the company, industry demand de-grew by low double digits in April and May. Management expects a recovery in demand from June. Fuel cost is expected to remain stable in upcoming quarters. 0.2-0.3mn MT clinker debottlenecking is expected to commission by Q1FY25 end to support volume growth. It targets to increase the green power mix to more than 40% in FY25 vs 33% YoY, which will help improve margins.

- Q4FY24 performance:** HEIM has lost market share, and its volume recorded muted growth of 4% YoY (+2% QoQ). On a 5-year basis, volume remains flattish. Utilisation stood at 79% vs 77/76% QoQ/YoY. NSR declined 4% QoQ owing to price correction in central markets. Unit opex declined 8% YoY owing to a cool-off in fuel prices. On a QoQ basis, unit opex declined 7% on an elevated base, as input cost/other expenses declined INR 300/140 per MT QoQ. Thus, unit EBITDA recovered INR 140/180 YoY/QoQ to INR 721/MT.
- Outlook:** As per the company, industry demand de-grew by low double digits in April and May. Management expects a recovery in demand from June. In April and May, cement prices corrected by INR 6/bag. Fuel cost is expected to remain stable in upcoming quarters. 0.2-0.3mn MT clinker debottlenecking is expected to commission by Q1FY25 end to support volume growth. Heidelberg has yet to progress on greenfield expansion of 3/2mn MT cement/clinker capacity expansion in Gujarat. EC clearance has not been received yet for this expansion. It expects INR 1-1.2bn capex in FY25 (INR 0.5-0.55bn for debottlenecking). It has signed a long-term Hybrid PPA for 8 MW Wind and 8 MW Solar for 37 Gigawatt hours p.a. Its benefit will be visible from Q1FY25, which will help to reduce power costs by ~35%. It targets to increase the green power mix to more than 40% in FY25 vs 33% YoY. Merger with Zuari is expected to be completed in FY26/27 (yet to start the merger process). Going forward, it plans to host a conference call once a year only. We maintain FY25E EBITDA and upgrade FY26E EBITDA by 3%. We maintain our REDUCE stance with an unchanged TP INR 160/sh.

### Quarterly/annual financial summary

YE Mar (INR bn)	Q4 FY24	Q4 FY23	YoY (%)	Q3 FY24	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E
Sales (mn MT)	1.23	1.19	4.0	1.21	2.1	4.78	4.39	4.81	5.00	5.25
NSR (INR/MT)	4,838	5,076	(4.7)	5,026	(3.7)	4,808	5,095	4,922	4,872	4,945
Opex (INR/MT)	4,150	4,493	(7.6)	4,484	(7.4)	3,899	4,528	4,263	4,124	4,112
EBITDA (INR/MT)	688	583	18.1	542	27.0	910	566	659	748	833
Net Sales	5.97	6.02	(0.9)	6.07	(1.7)	22.97	22.38	23.66	24.36	25.96
EBITDA	0.89	0.69	28.6	0.65	35.8	4.35	2.49	3.17	3.74	4.37
APAT	0.48	0.35	37.7	0.31	53.0	2.52	0.99	1.68	2.18	2.69
AEPS (INR)	2.1	1.5	37.7	1.4	53.0	11.1	4.4	7.4	9.6	11.9
EV/EBITDA (x)						10.2	17.3	13.2	11.0	9.2
EV/MT (INR bn)						7.09	6.88	6.67	6.56	6.44
P/E (x)						18.2	46.4	27.4	21.1	17.1
RoE (%)						16.5	6.6	11.4	14.6	17.5

Source: Company, HSIE Research

## REDUCE

CMP (as on 31 May 2024)	INR 202
Target Price	INR 160
NIFTY	22,531

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 160	INR 160
EBITDA revision %	FY25E (0.2)	FY26E 3.0

### KEY STOCK DATA

Bloomberg code	HEIM IN
No. of Shares (mn)	227
MCap (INR bn) / (\$ mn)	46/548
6m avg traded value (INR mn)	93
52 Week high / low	INR 247/167

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(2.0)	5.1	17.7
Relative (%)	(2.2)	(4.5)	(0.5)

### SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	69.39	69.39
FIs & Local MFs	10.94	11.04
FPIs	4.33	4.48
Public & Others	15.34	15.09
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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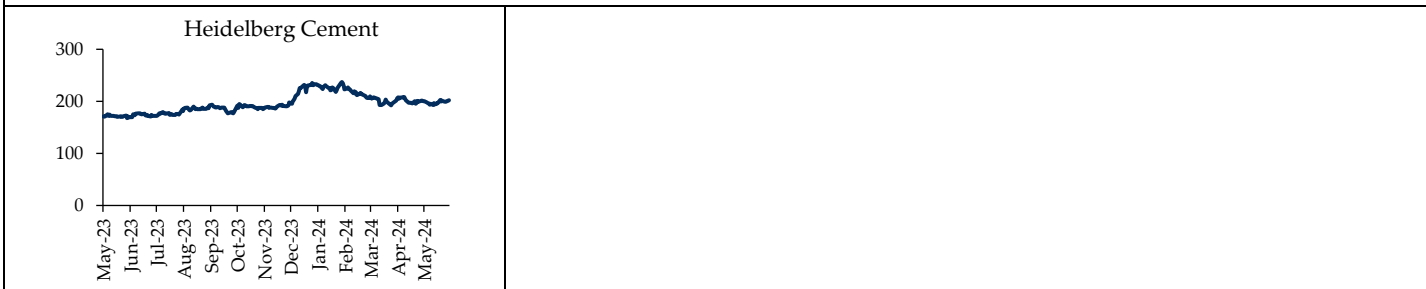
**Rating Criteria**

BUY: >+15% return potential  
 ADD: +5% to +15% return potential  
 REDUCE: -10% to +5% return potential  
 SELL: > 10% Downside return potential

**Disclosure:**

Analyst	Company Covered	Qualification	Any holding in the stock
Keshav Lahoti	Heidelberg Cement	CA	NO

**1 Yr Price movement**



**Disclosure:**

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