

# Heidelberg Cement

## Market share loss continues; margin remains muted

We maintain our REDUCE rating on Heidelberg Cement (HEIM), with an unchanged target price of INR 160/share (7x Mar-25E EBITDA). In the absence of any major planned expansion for the next few years, we expect HEIM to continue to lose market share. In Q4FY23, volume fell 4% YoY (the sixth consecutive quarter of YoY decline). While unit EBITDA recovers ~INR 245/MT QoQ (from its nine-year low) to INR 583/MT, it remains weak and is down INR 380/MT YoY.

- **Q4FY23 performance:** Volume fell 4% YoY (a sixth consecutive quarter of YoY decline) and market share loss continues: on a 5-year basis, volume contracted at 1.4% CAGR! Volume rose a modest 8% QoQ in the peak demand quarter. Utilisation stood at 76% vs 79/70% YoY/QoQ. NSR rose 3% QoQ on better pricing in the central region, leading to a +1% YoY. Unit EBITDA recovered ~INR 245/MT QoQ (from its nine-year low) to INR 583/MT (still weak and down INR 380/MT YoY), led by both realisation gain and opex contraction. Opex fell 2% QoQ but remained 11% higher YoY. While input cost cooled off INR 150/MT, freight cost went up INR 60/MT QoQ. During FY23, volume declined 8% YoY to an 8-year low of 4.4mn MT, a steep market share loss as it has not expanded capacities.
- **Outlook:** While we expect HEIM volumes to recover from FY24 onwards, we estimate its market share loss to continue, as other players expand in HEIM's core markets. It is undertaking 0.2/0.3mn MT clinker/grinding debottlenecking expected in FY24E. It is also pursuing a greenfield IU (3/2mn MT of cement/ clinker) expected to be commissioned by FY27E. We expect subdued volume growth in the absence of any major expansion for the next four years. In FY25, the group may look to merge HEIM with its sister concern Zuari Cement. Factoring in the weak performance, we trimmed our FY24/FY25E EBITDA estimates by 5/2% respectively.

### Quarterly/annual financial summary

YE Mar (INR bn)	Q4 FY23	Q4 FY22	YoY (%)	Q3 FY23	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
Sales (mn MT)	1.19	1.23	(3.9)	1.10	8.3	4.49	4.78	4.39	4.66	4.94
NSR (INR/MT)	5,076	5,025	1.0	4,933	2.9	4,718	4,808	5,095	5,044	5,094
Opex (INR/MT)	4,493	4,064	10.6	4,594	(2.2)	3,589	3,899	4,528	4,222	4,207
EBITDA (INR/MT)	583	961	(39.3)	339	72.2	1,129	910	566	822	887
Net Sales	6.02	6.20	(2.9)	5.40	11.5	21.17	22.97	22.38	23.49	25.14
EBITDA	0.69	1.19	(41.7)	0.37	86.5	5.07	4.35	2.49	3.83	4.38
APAT	0.35	0.94	(62.6)	0.06	526.7	3.15	2.52	0.99	2.13	2.65
AEPS (INR)	1.5	4.1	(62.6)	0.2	526.7	13.9	11.1	4.4	9.4	11.7
EV/EBITDA (x)						7.3	8.4	14.1	8.8	7.5
EV/MT (INR bn)						5.95	5.82	5.62	5.14	5.00
P/E (x)						12.1	15.1	38.4	17.9	14.4
RoE (%)						22.4	16.5	6.6	14.3	16.5

Source: Company, HSIE Research

### Estimates revision

INR bn	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %
Net Sales	23.7	23.5	-0.8	25.3	25.1	-0.8
EBITDA	4.0	3.8	-5.3	4.5	4.4	-1.8
APAT	2.3	2.1	-6.6	2.7	2.6	-1.9

Source: Company, HSIE Research

## REDUCE

CMP (as on 30 May 23)	INR 168
Target Price	INR 160
NIFTY	18,634

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 160	INR 160
EBITDA	FY24E	FY25E
revision %	(5.3)	(1.8)

### KEY STOCK DATA

Bloomberg code	HEIM IN
No. of Shares (mn)	227
MCap (INR bn) / (\$ mn)	38/466
6m avg traded value (INR mn)	34
52 Week high / low	INR 233/153

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(2.2)	(17.8)	(7.9)
Relative (%)	(9.0)	(17.6)	(20.5)

### SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	69.39	69.39
FIs & Local MFs	11.06	11.26
FPIs	4.81	4.77
Public & Others	14.74	14.58
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

**Rajesh Ravi**  
rajesh.ravi@hdfcsec.com  
+91-22-6171-7352

**Keshav Lahoti**  
keshav.lahoti@hdfcsec.com  
+91-22-6171-7353

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

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**Institutional Equities**

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 [www.hdfcsec.com](http://www.hdfcsec.com)