

Heidelberg Cement India Ltd.

Nifty	10,167
Sensex	34,370

Key Stock Data

CMP	₹177
Market Cap (₹mn)	40,054
52W High/Low	217.8/120.0
Shares o/s (mn)	226.6

Shareholding pattern Mar 2020

Promoters	69.4%
FII	10.4%
DII	5.8%
Public & Others	14.4%

Key Result Highlights – Q4FY20

- Heidelberg Cement's top-line de-grew by ~6.2% Y-o-Y to ₹5,098mn primarily on the back of decline in sales volume. Sales volume plunged 10% YoY to 1.09mn MT primarily due to nationwide shutdown (led by Covid-19 pandemic) in last week of March 2020. With no clinker sales total 10 days volume lost due to lockdown was around 1-1.25 lakh tons. However, realisations were up marginally by 4% YoY to ₹4,677/MT on account of higher sales of its premium products & firm cement prices.
- EBITDA in Q4FY20 stood at ₹1,273mn up ~2% Y-o-Y on the back of lower operating expense (mainly Power & Fuel cost & Freight forwarding cost which dropped 24% & 17% YoY to ₹1,119mn & ₹690mn respectively). Further higher realization which grew by 4% YoY coupled with lower costs led to higher EBITDA/ton which increased ~13.2% YoY to ₹1,168/MT from ₹1,032/MT in Q4FY19.
- Company's PAT grew 8.8% Y-o-Y to ₹663mn on account of higher operating profit and higher other income. Other Income was up 48% YoY at ₹170mn in the mentioned quarter. PAT margins stood at 13.0% in Q4FY20 vs. 11.8%/11.2% in Q3FY20/Q4FY19.

Earnings Highlights

- **Sales volume decline impacted the Top-line performance** – Heidelberg Cement's top-line plunged ~6.2% Y-o-Y in Q4FY20 to ₹5,098mn from ₹5,434mn primarily on the back of decline in sales volume by 10% YoY to 1.09mn MT due to nationwide shutdown (Covid-19 pandemic) in last week of March 2020. Realisations stood higher by 4% YoY & QoQ to ₹4,677/MT from ₹4,488/MT & ₹4,485/MT in Q4FY19 & Q3FY20 respectively on account of higher sales of its premium products & firm cement prices. During Q4FY20, company completed debottlenecking of its cement grinding capacities in Imila (MP) & Jhansi (UP) taking the total installed capacity to 6.26 MTPA. For FY20, top-line stood at ₹21,696mn up ~2.9% YoY from ₹21,094mn in FY19. In FY20, company's capacity utilisation dropped to 87% from 91% in FY19.
- **Lower Operating Expense & higher realization drove EBITDA/ton on YoY** – Operating Profit for the quarter stood at ₹1,273mn up ~2% YoY & ~6% QoQ on the back of lower operating expense. Lower operating expenditure like Power & Fuel cost & Freight forwarding cost dropped 24% YoY & 17% YoY to ₹1,119mn & ₹690mn. Further, Lower operating expenditure and higher realizations (4% YoY & QoQ) improved EBITDA/ton by 13.2% YoY & 19.1% QoQ to ₹1,168/MT from ₹1,032/MT in Q4FY19 & ₹981/MT in Q3FY20. PAT grew 8.8% Y-o-Y to ₹663mn in Q4FY20 on account of higher operating profit and higher other income. PAT margins stood at 13.0% in Q4FY20 vs. 11.8%/11.2% in Q3FY20/Q4FY19. For FY20, EBITDA/ton grew ~20% YoY to ₹1,122/MT primarily led by 4% YoY increase in realizations & however partly offset by lower volumes. While PAT grew from ₹2,207mn in FY19 to ₹2,681mn in FY20.
- **Capex, Demand situation and earnings outlook** – Management highlighted demand was majorly impacted due to lockdown restrictions led by Covid-19 pandemic & recovery to be seen post H2FY21E. Also, Cement demand may remain sluggish due to the shortage of labour in urban areas however; areas where government spending would be good will see better demand. Management stated despite subdued demand; it would be able to sustain prices and maintain its position in the market.

Valuation & Recommendation

Lockdown restriction led by Covid-19 pandemic situation coupled with subdued demand in its key markets impacted company's sales volumes in Q4FY20 however company managed to increase its EBITDA/ton to ~1,168/MT in Q4FY20 on the back of lower operating costs and higher realisations. For FY20, despite plunge in sales volumes, company posted 20% YoY rise in EBITDA/ton to ₹1,122/MT on the back of 4% YoY rise in realisations. We envisage Heidelberg Cement Ltd to report lower topline and earnings in FY21E on the back of subdued demand and competitive scenario on account of uncertainty surrounding Covid-19 pandemic and lockdown restriction. However, we believe company's earnings will rebound post FY21E on account of higher capacity utilizations from existing facilities, demand recovery in infra and real estate sector and higher share of premium products. **At CMP of ₹177 Heidelberg Cements Ltd is trading at ~7.2x FY20 EV/EBITDA which is at discount to its peers. Currently, we have not rated the stock and kept it under review for any rating/recommendation.**

(₹ mn)			
Particulars	FY18	FY19	FY20
Net Sales	18,607	21,094	21,696
EBITDA	3,346	4,594	5,278
Net Profit	1,332	2,207	2,681
EPS (₹/ share)	5.9	9.7	11.8
RoNW (%)	12.7%	18.8%	20.4%
RoCE (%)	15.4%	22.9%	26.3%
EV/EBITDA (x)	12.8	8.8	7.2

Source: Company Data, Way2Wealth Inst Equity

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Quarterly Financials (Standalone)

(₹ mn)					
Particulars	Q4FY20	Q4FY19	Y-o-Y(%)	Q3FY20	Q-o-Q(%)
Sales	5,098	5,434	-6.2%	5,485	-7.1%
Raw Material Expenses	758	752	0.7%	989	-23.4%
Employee Cost	340	356	-4.6%	347	-2.3%
Power Fuel Cost	1,119	1,467	-23.7%	1,257	-11.0%
Freight Forwarding	690	826	-16.6%	736	-6.3%
Other operating expense	919	784	17.3%	955	-3.8%
Total Expenditure	3,824	4,185	-8.6%	4,285	-10.7%
EBITDA	1,273	1,250	1.9%	1,200	6.1%
EBITDA Margin (%)	25.0%	23.0%	198 bps	21.9%	310 bps
Depreciation	275	254	8.2%	268	2.9%
EBIT	998	995	0.3%	932	7.1%
EBIT Margin (%)	19.6%	18.3%	126 bps	17.0%	258 bps
Interest	163	160	1.4%	190	-14.3%
Other Income	170	115	48%	114	49.0%
PBT	1006	950	5.9%	857	17.4%
Taxes	343	340	0.8%	211	62.5%
PAT	663	610	8.8%	646	2.6%
PAT Margins%	13.0%	11.2%	178 bps	11.8%	123 bps
EPS	2.92	2.69	8.8%	2.85	2.6%

Performance Analysis	Q4FY20	Q4FY19	Y-o-Y(%)	Q3FY20	Q-o-Q(%)
Total Sales Volume (MT)	1,090	1,211	-10.0%	1,223	-10.9%
Cement Realisation (₹/MT)	4,677	4,488	4.2%	4,485	4.3%
EBITDA (₹/MT)	1,168	1,032	13.2%	981	19.1%
Operating Expenses (₹/MT)	3,509	3,456	1.5%	3,504	0.1%
Raw Material Cost (₹/MT)	695	621	11.9%	809	-14.1%
Employee Cost (₹/MT)	311	294	6.0%	284	9.7%
Power & Fuel Cost (₹/MT)	1,026	1,211	-15.3%	1,028	-0.2%
Freight Cost (₹/MT)	633	682	-7.3%	602	5.1%
Other Expenditure Cost (₹/MT)	843	647	30.3%	781	8.0%

Financial Statements (Standalone)

(₹ mn)

Income Statement	FY17	FY18	FY19	FY20
Net Sales	16,876	18,607	21,094	21,696
YoY Growth	3.7%	10.3%	13.4%	2.9%
EBITDA	2,490	3,346	4,594	5,278
EBITDA Margin	14.8%	18.0%	21.8%	24.3%
Depreciation	992	1,012	1,018	1,086
EBIT	1,499	2,334	3,577	4,192
EBIT Margin	8.9%	12.5%	17.0%	19.3%
Interest	898	745	748	739
Other income	535	487	587	527
PBT	1,136	2,077	3,416	3,981
Tax	374	745	1,210	1,300
PAT	762	1,332	2,207	2,681
PAT Margin	4.5%	7.2%	10.5%	12.4%
EPS (₹)	3.4	5.9	9.7	11.8

(₹ mn)

Particulars	FY17	FY18	FY19	FY20
Share Capital	2,266	2,266	2,266	2,266
Reserves Total	7,403	8,198	9,446	10,880
Total Shareholders' Funds	9,670	10,464	11,712	13,146
Long term Borrowings	5,752	4,692	3,918	2,801
Other Fin Liabilities	390	566	691	621
Long term Provisions	217	196	197	167.3
Deferred Tax Liabilities	530	835	1,303	1,903
Total Non-Current Liabilities	6,889	6,289	6,110	5,492
Short Term Borrowings	-	-	-	-
Trade Payables	1,914	2,266	2,778	2,584
Other Current Liabilities	3,443	4,120	4013	4034
Short term Provisions	2,161	2,189	2,342	2,672
Total Current Liabilities	7,518	8,575	9,134	9,290
Total Liabilities	24,076	25,328	26,955	27,928
Net Block	18,771	18,060	17,368	16,930
Capital Work in Progress	63	81	172	159.9
Other non-current assets	584	579	540	597
Total Non-Current Assets	19,418	18,720	18,081	17,687
Inventories	1,396	1,269	1,674	1,458
Sundry Debtors	126	188	253	257
Cash & Cash Equivalents & Bank	142	2,124	3,377	4,706
Loans and Advances	2,995	3,027	3,569	138
Other Current Assets	-	-	-	3,683
Total Current Assets	4,659	6,608	8,873	10,241
Total Assets	24,076	25,328	26,955	27,928

(₹ mn)

Cash Flow Statement	FY17	FY18	FY19	FY20
Profit Before Tax	1,820	2,077	3,416	3,981
Depreciation	299	1,012	1,018	1,086
Inc/Dec in working capital	-386	590	-174	68
Others	-809	93	-329	-547
Cash Flow from Operating activity	924	3,771	3,931	4,587
Inc/Dec in Fixed assets & CWIP	-1,764	-232	-427	-435
Others	1,609	95	163	294
Cash Flow from Investment activity	-156	-137	-263	-141
Inc/Dec in debt	-332	-1,250	-827	-1,250
Dividends paid	-343	-1,227	-952	-1,227
Others	5	822	-639	-662
Cash Flow from Financing activity	-671	-1,655	-2,419	-3,138
Inc/Dec in cash	97	1,980	1,249	1,308
Opening balance	145	142	2,122	3,377
Closing balance	242	2,122	3,377	4,684

Ratios	FY17	FY18	FY19	FY20
Margins				
EBITDA margin	14.8%	18.0%	21.8%	24.3%
EBIT Margins	8.9%	12.5%	17.0%	19.3%
PAT Margin	4.5%	7.2%	10.5%	12.4%

Profitability Ratios				
Return on Equity (ROE)	7.9%	12.7%	18.8%	20.4%
Return on Assets (ROA)	3.2%	5.3%	8.2%	9.6%
Return on Cap Employed (ROCE)	9.7%	15.4%	22.9%	26.3%

Valuation Ratios (x)				
P/E	52.6	30.1	18.2	15.0
EV/EBITDA	18.4	12.8	8.8	7.2
EV/Sales	2.7	2.3	1.9	1.8
EV/EBIT	30.5	18.3	11.4	9.1

Leverage Ratio (x)				
Current Ratio	0.6	0.8	0.9	1.1
Quick Ratio	0.4	0.6	0.8	0.9
D/E	0.6	0.5	0.3	0.2

Turnover ratios				
Inventory Days	30.2	24.9	29.0	30.0
Debtor days	2.7	3.7	4.4	5.0
Creditordays	41.4	44.5	48.1	45.0

Per share				
EPS (₹)	3.4	5.9	9.7	11.8
BV (₹)	42.7	46.2	51.7	58.0
DPS (₹)	-	2.5	4.0	7.5

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Disclosure of Interest Statement in Heidelberg Cement India Ltd. as on June 09, 2020

Name of the Security	Heidelberg Cement India Ltd.
Name of the analyst	Yogita Desai
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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