

HEIDELBERGCEMENT

Recommendation

EXIT

Highlights

- Heidelberg Cement (HBC) reported poor operating performance in Q4FY23, owing to rising costs and decreased volume. Revenue from operations at ₹602Cr in Q4FY23 decreased 3% YoY but increased 11% sequentially.
- Net Profit in Q4FY23 declined 63% YoY to ₹35Cr from ₹94Cr in Q4FY22.
- Alternative fuel usage increased by 8%
- EBITDA/tonne declined by 46% at ₹58Cr in Q4FY23 from ₹107Cr in the same quarter previous year on account of higher freight, finance, and staff expenses.
- Earning per Share also declined significantly by 63% YoY, but rose 516% sequentially, 1.54/ 4.13 / 0.25 in Q4FY23 / Q4FY22 / Q3FY23
- On a per tonne basis, the price increased by 6% as compared to the 16% increase in total operating cost including freight resulting in FY23 EBITDA/tonne of ₹57Cr, a drop of 38% YoY.
- The hardening of power and fuel price was partially offset by power generation from Waste Heat Recovery System (WHRS) and various other green power sourcing options, the company's green power share increased from 24% in FY22 to 32% in FY23.
- The company has repaid its first tranche of interest free loan of ₹33.6Cr taken from the Pradeshia Industrial and Investment Corporation of U.P. Ltd.
- As of March 31, 2023, the cash and bank balance stood at ₹472.9Cr as against interest free borrowings of ₹202Cr.

Q4FY23 Result Highlights

Volume

- In FY23 volume was reported at 4.4mt, decreased by 8% on YoY basis.
- The cement capacity too reduced to 69% in FY23 from 76% in FY22.
- The company manufactures and sells 100% blended cement. In terms of trade sales, Premium Cement accounted for 40% of the total.

Pricing

- There was an improvement of 3% in blended realization during the quarter, reaching ₹5,076/tonne.
- Cement prices are currently higher than they were at the end of Q4FY23. Prices are expected to trend higher as demand remains strong, but it depends on the market environment.

Energy

- Coal made up about 34% of the fuel mix, with the remainder coming from Pet coke, renewable energy, and AFR.
- The cost of power and fuel increased by 7% year over year per tonne.
- The percentage of green energy in the electricity mix is currently 32%, up from 24% in FY22.
- The use of alternative fuels during the year increased by 8%

Freight

- The freight cost per tonne was higher by 9% at 776/tonne QoQ as a result of the levy of busy season charges by railways.
- The company's Rail: Road ratio stood at 51:49

Capacity Expansion & Capex

- The company's Capex projection for FY24 is ₹55 to ₹60Cr, including ₹15Cr for clinker capacity de-bottlenecking its MP plant to boost clinker capacity by 0.20 mtpa, which will increase grinding capacity by 0.35-0.40 mtpa by FY25.

VIEW

Despite an increase of 12% in overall cement industry volume, HBC's volume declined by 4% over the same period, showing that HBC is losing market share and is a non-participant in the overall cement sector's growth trajectory.

Higher input, transportation, and other expenditures raised overall operating costs including freight on a per-tonne basis. Moreover, in the absence of any projected expansion in the coming years by the management, HBC may continue losing market share.

Since all the core profitability metrics have shown a dampening performance on an annual as well as sequential basis despite the overall cement industry volumes grew in double digits in FY23, **we believe investors should EXIT the stock at current levels given the uncertainty. Further, we would be closely watching company's performance and we may re-initiate our coverage based on any positive development in coming quarters.**

Important Data

Nifty	18,710
Sensex	63,100
CMP	₹177
Market Cap (₹ Cr)	₹4,005
52W High/Low	₹233/153
Shares o/s (cr)	22.7
20D Avg Volume	223.963
BSE Code	500292
NSE Code	HEIDELBERG
Bloomberg Code	HEIM:IN

Shareholding Pattern (%) – Mar'23

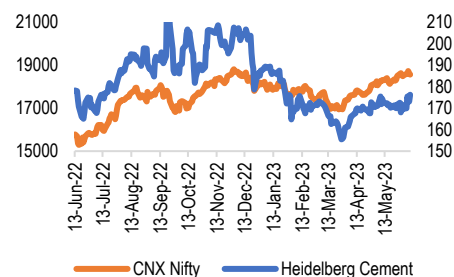
Promoter	69.40
DII's	10.32
FII's	4.80
Public & Others	15.40

Financials & Ratios

	(Rs Cr)				
Particulars	FY19	FY20	FY21	FY22	FY23
Net Sales	2133	2170	2117	2297	2238
EBITDA	483	527	506	435	249
EBITA Margin	21.70%	24.3%	23.9%	18.9%	11.1%
PAT	221	268	315	252	99
PAT Margin	10.30%	12.40%	14.9%	11.0%	4.4%
EPS (₹)	9.74	11.83	13.9	11.13	4.38
ROE (%)	18.80%	20.40%	21.10%	16.0%	7.0%
ROCE (%)	24.40%	26.30%	23.70%	21%	11%
P/E (x)	21.8	17.9	15.3	15	29
EV/EBITDA (x)	10.1	8.7	9	8.52	14

Source: Company, Way2Wealth

Relative performance

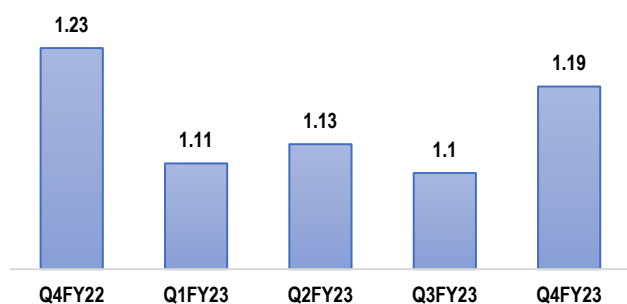


Analyst

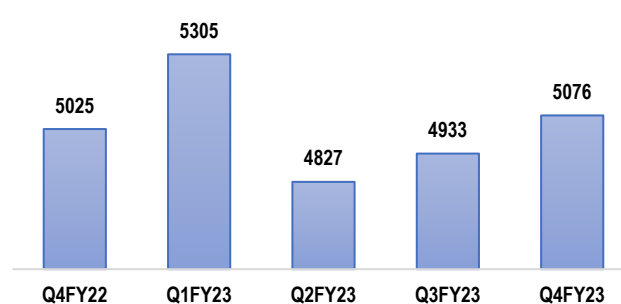
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Operational Position

Volume (mtpa)



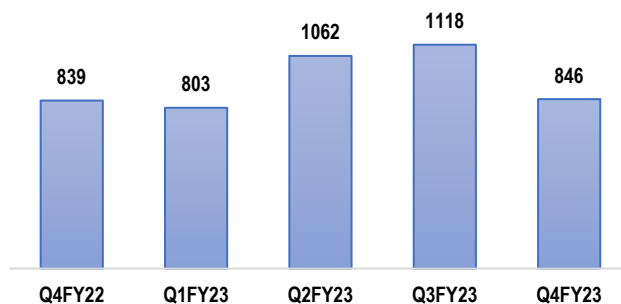
Realisation/tonne (₹)



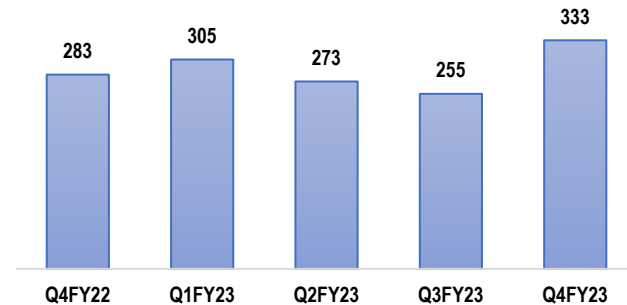
Cost/tonne (₹)



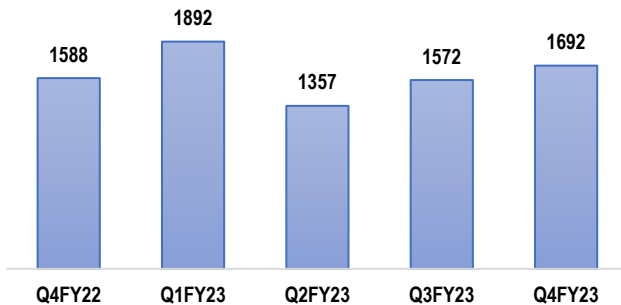
Raw material/tonne (₹)



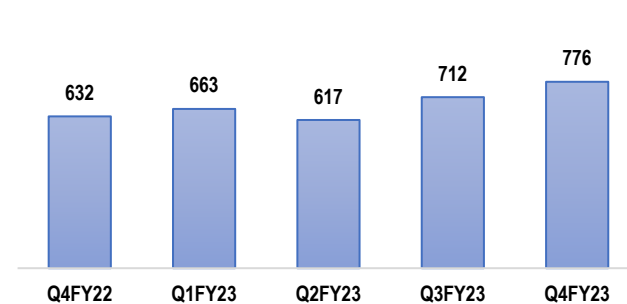
Staff Cost/tonne (₹)



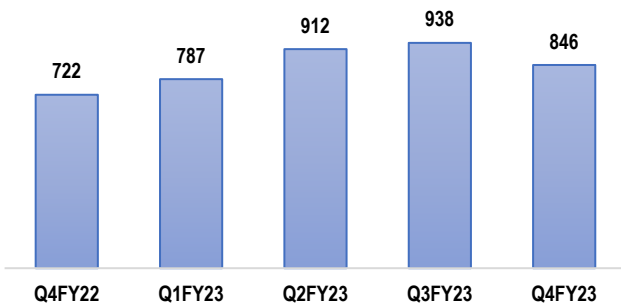
Power & Fuel/tonne (₹)



Freight/tonne (₹)



Other Expenses /tonne (₹)



Source: Company, Way2Wealth

FINANCIAL PERFORMANCE

(Rs Cr)

Particulars	Q4FY23	Q4FY22	YoY%	Q3FY23	QoQ%	FY23	FY22	YoY%
Revenue from operations	602	620	-3%	540	11%	2238	2297	-3%
Other income	13	12	9%	11	28%	45	49	-8%
Total income	616	632	-3%	551	12%	2283	2346	-3%
Expenses	0	0		0		0	0	
Cost of materials consumed	111	119	-7%	101	10%	414	450	-8%
Changes in inventories	-11	-16	-31%	22	-150%	-13	-22	-42%
Employee benefits expense	40	35	13%	28	42%	133	131	2%
Finance costs	7	5	26%	11	-40%	46	36	26%
Depreciation and amortisation expense	27	28	-2%	29	-5%	112	112	0%
Power and fuel	201	196	2%	172	17%	773	642	20%
Freight and forwarding expense	92	78	18%	78	18%	312	296	5%
Other expenses	100	89	13%	103	-2%	371	365	2%
Total expenses	567	535	6%	543	4%	2148	2011	7%
Profit/(Loss) before tax	49	98	-50%	8	508%	136	335	-59%
Tax expense	0	0		0		0	0	
Current tax	15	17	-10%	3	470%	41	59	-31%
Deferred tax	-2	-13	-86%	0	507%	-4	24	-119%
Net Profit/(Loss)	35	94	-63%	6	527%	99	252	-61%
EBITDA	69	119	-42%	37	87%	249	435	-43%
EBITDA/tonne	58	108	-46%	34	73%	57	91	-38%
EPS	1.54	4.13	-63%	0.25	516%	4.38	11.13	-61%
Debt Equity Ratio						0.12	0.12	0%
Debt Service Coverage Ratio						3.67	8.31	-56%
Interest Service Coverage Ratio						17.15	19.64	-13%

Source – Company, Way2Wealth

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Disclosure of Interest Statement Heidelberg Cement Ltd. as on 13 June 2023

Name of the Security	Heidelberg Cement Ltd.
Name of the analyst	Dhananjay Kansara
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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