



Quick Insight Update

Q3FY22 Performance

- Company's topline de-grew ~9% Y-o-Y & 5.5% Q-o-Q to ₹5445mn led by ~11% Y-o-Y drop in cement sales volumes. Realization grew ~3% on Y-o-Y & Q-o-Q basis.
- EBITDA for Q3FY22 fell ~40% Y-o-Y to ₹684mn and EBITDA/t stood at ₹607/t (Q3FY22) vs ₹947/t in Q3FY21 and ₹946/t in Q2FY22), was down by 41% Y-o-Y and QoQ, led by sharp rise direct costs (+₹340/t led by commodity prices) and overheads (+₹140/t as the travelling and marketing expenses).
- PAT stood at ₹304mn reduced by 52% Y-o-Y & 49% Q-O-Q, owing to lower operating profit while PAT margins were lower at 5.6% in Q3FY22.
- Going forward, management expects the costs to remain elevated in the near term. And growth will be dependent on company's ability to sweat its operational assets and the debottlenecking potential available.

Key Concall Highlights

- Trade segment proportion declined to 77% from 83% in last quarter as the company took support of the non-trade segment to score volumes.
- Realisations were higher Q-o-Q primarily on the significant price hikes taken in Oct'21.
- Volumes are witnessing a slowdown in its markets led by slow rural demand, elections in UP, cold wave and unavailability of the labour.
- Prices have seen a marginal increase as the price hikes of ₹5/bag was rolled back partially on account of influx of cement from other regions and slow demand. Management expect to take sustainable price hikes going forward as the sector is witnessing unprecedented cost headwinds.
- Management expects to exploit available cost levers through increased use of AFR (expect to reach 9% of TSR on sustainable basis) and replacing grid power with Solar power.
- Estimated capex for FY22 stands at ₹750mn.
- The Company has repaid ₹1,200mn towards third and final tranche of 10.4% Non-Convertible Debentures on 16 December 2021. With this repayment, the Company has fully redeemed 10.4% Non-Convertible Debentures aggregating to ₹3,700mn issued on 16 December 2013.
- Cash and bank balance stood at ₹1,811mn net of outstanding borrowings as of Q3FY22.
- Greenfield project in Gujarat is currently in approval stage (1-1.5 years) and execution may take another 3 years post the approvals

Key Risks

Continued slowdown in cement demand in its key markets, inability to sustain realizations

Nifty	16842.80
Sensex	56,405.84
Key Stock Data	
CMP	₹204.80
Market Cap (₹ cr)	4,602
52W High/Low	284.55/201.00
Shareholding pattern (%) Dec'21	
Promoter	69.39%
FII	5.47%
DII	10.91%
Public & Others	14.23%

Source: Company Data, Way2Wealth Research

Particulars	FY2021		
	FY19	FY20	FY21
Net Sales	21334	21696	21167
EBITDA	4833	5278	5066
EBITA Margin	21.7%	24.3%	23.9%
PAT	2207	2681	3149
PAT Margin	10.3%	12.4%	14.9%
EPS (₹)	9.74	11.83	13.90
ROE (%)	18.8%	20.4%	21.1%
ROCE (%)	24.4%	26.3%	23.7%
P/E (x)	21.8	17.9	15.3
EV/EBITDA (x)	10.1	8.7	9.0

Source: Company Data, Way2Wealth Inst Equity

View

Company reported sluggish numbers led by elevated cost pressure in Q3FY22. However management mentioned cement demand to be robust in Q4FY22 mainly contributed by the infrastructure and housing segments. Company continues to have negative WC and has ₹4000mn cash on books with ₹1200mn bearing debt which provides us comfort. With the revival in infrastructure demand, better positioning in demand accretive Central region its key market, increasing premium cement sales, net debt free balance sheet, we believe the company is well positioned to perform better going ahead. However, in the near term, company might lose market share, also see margin pressure and weak volume growth make us cautious. **At CMP of ₹204.8 Heidelbergcement India Ltd. is trading at ~9x FY21 EV/EBITDA which is attractive given its strong historical performance over past years, hence we recommend investors to HOLD the stock on dips.**

Financials

Particulars	Q2FY22	Q2FY22	Q3FY21	Y-o-Y	Q-o-Q
Sales Volumes (mn MT)	1.13	1.23	1.27	-11.1%	-8.4.0%
Sales Realization (₹/ton)	4827	4683	4691	2.9%	3.1%
EBITDA (₹/ton)	607	946	947	-35.9%	-35.9%
Total Cost (₹/ton)	4221	3737	3743	12.7%	12.9%

Source - Company Data, Way2Wealth Research

(₹mn)

	Q3FY22	Q2FY22	Q3FY21	YoY	QoQ
Net Sales	5,445	5,765	5,953	-8.5%	-5.5%
RMC	1,197	973	1,189	0.7%	23.1%
Employee Cost	308	328	320	-3.8%	-6.3%
P&F Cost	1,531	1,588	1,416	8.1%	-3.6%
Freight & Forwarding exp	697	754	767	-9.2%	-7.6%
Other expense	1,028	957	1,059	-2.9%	7.4%
Total Expenses	4,761	4,600	4,751	0.2%	3.5%
EBITDA	684	1,165	1,202	-43.1%	-41(.2%)
EBITDA Margin	12.6%	20.2%	20.2%	(762.5 bps)	(763. bps)
Depreciation	283	282	278	1.8%	0.4%
EBIT	401	883	924	-56.6%	-54.5%
EBIT Margin	7.4%	15.3%	15.5%	(815.11bps)	(794 bps)
Interest	99	112	124	-20.2%	-11.9%
Other income	123	139	118	4.3%	-11.3%
PBT	425	909	918	-53.7%	-53.2%
Tax	121	314	282	-57.1%	-61.4%
PAT	304	596	636	-52.2%	-48.9%
PAT Margin	5.6%	10.3%	10.7%	(509.7bps)	(474.16 bps)
EPS (₹)	1.34	2.62	2.80	-52.2%	-48.9%

Source - Company Data, Way2Wealth Research

Disclaimer

Analyst Certification: I, Yogita Desai, the research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed Yogita Desai, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement in Heidelbergcement India Ltd. as on 15 February 2022

Name of the Security	Heidelbergcement 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
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.