



# Quick Insight Update

### Q2FY22 Performance

- Company's topline grew ~12% YoY to ₹5765mn led by ~11% YoY growth in volumes and realization grew 1-2% on YoY basis.
- Q2FY22 EBITDA fell ~8% YoY to ₹1165mn led by higher fuel and packaging costs which grew 41% YoY and 18% QoQ. EBITDA/t stood at ₹946 (in Q2FY22) vs ₹1137 in Q2FY21.
- PAT stood at ₹596mn, owing to lower operating profit, however impact was lower due to higher other income. Other income was up 37% YoY and 32% QoQ in Q2FY22.
- The company expects to take the necessary price hike in the coming week to pass on the entire cost.

### Earnings Highlights

- Capacity utilization for Q2FY22 stood at 78%.
- The company stated that it has taken a price hike of ₹10-15/bag from the beginning of Oct'21. It also stated that the prevailing cost inflation is likely to increase its operating cost by ₹400/tonne and hence, it expects prices to reach ₹400/bag in the Central region by November, from ₹360/bag.
- Company recorded 0.3% sequential dip in the average realization to ₹4,683/tonne as against the industry's realization decline of 3% QoQ.
- Green power's share has consistently has reached 27% in Q2FY22, as against 22% in FY21. The company expects this to touch 30% soon and has already commissioned 5.5MW of solar power, which will aid to reach the 30% level.
- Company has not finalized an expansion plan yet however may take up the Gujarat green field capacity expansion project in future, and is following up with the concerned authorities for environment and forest clearances. Clearances may still take ~2 years as cited by the company earlier.
- Capex for FY22 is pegged at ₹600mn
- Company is likely to repay the entire interest-bearing debt of ₹1200mn in Dec'21 and will become debt-free from Q4FY22.
- Volume of premium cement (MyCem Power) increased by 25% YoY in Q2FY22 and accounted for 21% of the total trade sales.
- Petcoke usage accounted for 30%, while the rest was coal and Trade Mix is at 83% decreased ~400bps YoY in Q2FY22.

	FY16	FY17	FY18	FY19	FY20	FY21
EBITDA Margin	13.0%	14.8%	18.0%	22.7%	24.3%	23.9%
EBITDAper tonne	475	557	719	987	1122	1129

### Key Risks

Continued Slowdown in cement demand in its key markets, inability to sustain realizations and 3rd wave of COVID-19 in India.

<b>Nifty</b>	18,178.10
<b>Sensex</b>	60,923.50
<b>Key Stock Data</b>	
CMP	₹241
Market Cap (₹ cr)	5,473
52W High/Low	284.55/178.50
<b>Shareholding pattern (%)</b>	
Promoter	69.39%
FII	5.81%
DII	11.08%
Public & Others	13.72%

Source: Company Data, Way2Wealth Research

(₹ mn)			
Particulars	FY19	FY20	FY21
Net Sales	21334	21696	21167
EBITDA	4833	5278	5066
EBITAM%	21.7%	24.3%	23.9%
PAT	2207	2681	3149
PATM%	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)	24.8	20.4	17.3
EV/EBITDA (x)	11.4	10.0	10.3

Source: Company Data, Way2Wealth Inst Equity

## View

Company reported sluggish numbers led by elevated cost pressure in Q2FY22. However, management mentioned cement demand to be robust in H2FY22 and expects 10-12% demand growth for FY22, 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 comforts us. With the revival in cement demand and better positioning in demand accretive Central region its key market, price hikes, increasing premium cement sales, net debt free balance sheet, we believe the company is well positioned to perform better going ahead. **At CMP of ₹241 Heidelberg Cements Ltd is trading at ~10.3x FY21 EV/EBITDA which is justified given its strong historical performance and leadership position, hence we recommend investors to ACCUMULATE the stock on dips.**

## Financials

Particulars	Q2FY22	Q1FY22	Q2FY21	Y-o-Y	Q-o-Q
Sales Volumes (mn MT)	1.23	1.18	1.11	11.1%	4.0%
Sales Realization (₹/ton)	4683	4695	4637	1.0%	-0.3%
EBITDA (₹/ton)	946	1107	1137	-16.8%	-14.6%
Total Cost (₹/ton)	3737	3588	3500	6.8%	4.1%

Source - Company Data, Way2Wealth Research

	Q2FY22	Q1FY22	Q2FY21	YoY	QoQ
<b>Net Sales</b>	<b>5,765</b>	<b>5,559</b>	<b>5,138</b>	<b>12.2%</b>	<b>3.7%</b>
Raw Material Consumed	973	1,081	894	8.8%	-10.0%
Employee Cost	328	322	309	6.3%	1.9%
P&F Cost	1,588	1,346	1,122	41.5%	18.0%
Freight & Forwarding exp	754	727	645	17.0%	3.7%
Other expense	957	772	908	5.4%	23.9%
Total Expenses	4,600	4,248	3,878	18.6%	8.3%
<b>EBITDA</b>	<b>1,165</b>	<b>1,311</b>	<b>1,260</b>	<b>-7.5%</b>	<b>-11.2%</b>
<b>EBITDA Margin</b>	<b>20.2%</b>	<b>23.6%</b>	<b>24.5%</b>	<b>-17.6%</b>	<b>-14.3%</b>
Depreciation	282	276	281	0.4%	2.3%
<b>EBIT</b>	<b>883</b>	<b>1,035</b>	<b>979</b>	<b>-9.8%</b>	<b>-14.7%</b>
<b>EBIT Margin</b>	<b>15.3%</b>	<b>18.6%</b>	<b>19.0%</b>	<b>-19.6%</b>	<b>-17.8%</b>
Interest	112	102	133	-15.9%	10.1%
Other income	139	105	101	36.8%	31.9%
PBT	909	1,039	947	-4.0%	-12.5%
Tax	314	352	323	-2.8%	-10.9%
Tax Rate	34.5%	33.9%	34.1%	1.2%	1.7%
<b>PAT</b>	<b>596</b>	<b>687</b>	<b>624</b>	<b>-4.6%</b>	<b>-13.3%</b>
<b>PAT Margin</b>	<b>10.3%</b>	<b>12.4%</b>	<b>12.1%</b>	<b>-14.9%</b>	<b>-16.3%</b>
EPS (₹)	2.62	3.02	2.75	-4.6%	-13.3%

Source - Company Data, Way2Wealth Research



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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	No
Analyst :	Yes
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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