

Cement | Q2FY24 Result Update

QoQ poor quarter; Near term expansion missing

- HEIM reported volume, revenue in line, however realization, EBITDA, EBITDA/tn, APAT below estimates.
- HEIM posted +11.9% YoY (-4.9% QoQ) growth in revenue to Rs5.7 bn led by +16.4% YoY (-3.3% QoQ) in volume to 1.2mt, which was partially offset by -3.8% YoY (-1.6% QoQ) in realization/tn to Rs4,871. EBITDA/ APAT +46%/ 410.7% YoY to Rs695 mn/ Rs358 mn led by better operating performance coupled it lower finance cost.
- We expect 5.1%/ 22.9%/ 41.3% Revenue/ EBITDA/ APAT CAGR over FY23-26E led by 8.0%/ 5.0%/ 4.5% volume growth and -2.5%/ 0.5%/ 0.0% realization growth in FY24E/ FY25E/ FY26E.
- We decrease EBITDA estimates by 7.1%/ 6.7% for FY24E/ FY25E factoring higher opex and introduce FY26E. As we roll over to FY26E, we maintain Reduce with a revised TP of Rs191 (7.5x FY26E EV/EBITDA + 50% FY26E CWIP).

EBITDA/tn +25.58% YoY/ -22.6% QoQ

In line volume (+16.4% YoY/ -3.3% QoQ to 1.2mt), lower than estimated realization (-3.8% YoY/ -1.6% QoQ to Rs4,871) and in line opex/tn (-6.9% YoY/ +2.2% QoQ to Rs4,273) resulted EBITDA/tn of Rs598.

Outlook and Valuation

HEIM has built a strong retail franchise in the lucrative central region and trying to improve its operating efficiencies. It is looking to add 0.2mtpa GU through debottlenecking by Dec'24. It also has plans to expand 2mtpa/ 3-3.5mtpa clinker/ GU through greenfield in Gujarat to be commissioned by FY27. We expect HEIM's volume to recover and improvement in profitability from FY24 onwards led by low base and softening in fuel cost, it continues to lose market share, as other players expand in HEIM's core markets. We expect subdued volume growth in the absence of any major expansion till FY26-27. As we roll over to FY26E, we maintain Reduce with a revised TP of Rs191 (7.5x FY26E EV/EBITDA + 50% FY26E CWIP).

Q2FY24 Result (Rs Mn)

Particulars	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)
Revenue	5,665	5,061	11.9	5,956	(4.9)
Total Expense	4,970	4,585	8.4	5,028	(1.2)
EBITDA	695	476	46.0	929	(25.2)
Depreciation	269	281	(4.3)	270	(0.3)
EBIT	426	195	118.9	659	(35.4)
Other Income	143	110	29.5	134	6.6
Interest	86	207	(58.4)	91	(6.0)
EBT	483	98	392.3	701	(31.2)
Tax	125	28	346.2	178	(30.1)
RPAT	358	70	410.7	523	(31.6)
APAT	358	70	410.7	523	(31.6)
			(bps)		(bps)
Gross Margin (%)	36.8	31.5	529	37.1	(30)
EBITDA Margin (%)	12.3	9.4	287	15.6	(333)
NPM (%)	6.3	1.4	493	8.8	(246)
Tax Rate (%)	25.8	28.5	(267)	25.4	42
EBIT Margin (%)	7.5	3.8	367	11.1	(354)

CMP	Rs 188
Target / Upside	Rs 191 / 2%
NIFTY	19,425

Scrip Details

Equity / FV	Rs 2,266mn / Rs 10
Market Cap	Rs 43bn
	USD 518.4mn
52-week High/Low	Rs 212/ 153
Avg. Volume (no)	4,99,998
Bloom Code	HEIM IN

Price Performance	1M	3M	12M
Absolute (%)	(2)	2	(8)
Rel to NIFTY (%)	(1)	2	(14)

Shareholding Pattern

	Mar'23	Jun'23	Sep'23
Promoters	69.4	69.4	69.4
MF/Banks/FIs	6.5	5.2	5.2
FIs	4.8	4.7	3.9
Public / Others	19.4	20.7	21.5

Valuation (x)

	FY24E	FY25E	FY26E
P/E	21.6	17.0	15.2
EV/EBITDA	10.5	8.5	7.4
ROE (%)	13.3	16.2	16.9
RoACE (%)	12.7	15.3	16.2

Estimates (Rs bn)

	FY24E	FY25E	FY26E
Revenue	23.6	24.9	26.0
EBITDA	3.6	4.3	4.6
PAT	2.0	2.5	2.8
EPS (Rs.)	8.7	11.0	12.4

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Exhibit 1: Actual V/s DART estimates (Rs mn)

Particulars	Actual	DART Est	% Variance	Comments
Revenue (Rs mn)	5,665	5,496	3.1	In line
EBITDA (Rs mn)	695	786	(11.6)	-1.6%/ +0.7% realization/ cost vs. estimates
EBITDA%	12.3	14.3	(204 bps)	-
APAT (Rs mn)	358	404	(11.4)	Poor operating performance

Source: Company, DART

Exhibit 2: Change in estimates

Particulars (Rs mn)	FY24E			FY25E			FY26E
	New	Old	Chg. (%)	New	Old	Chg. (%)	Introduced
Net revenues	23,567	23,458	0.5	24,869	25,100	(0.9)	25,988
EBITDA	3,618	3,895	(7.1)	4,263	4,567	(6.7)	4,620
EBITDA margin (%)	15.4	16.6	(125 bps)	17.1	18.2	(105 bps)	17.8
Adj. Net Profit	1,974	2,177	(9.3)	2,499	2,752	(9.2)	2,799
EPS (Rs)	8.7	9.6	(9.3)	11.0	12.1	(9.2)	12.4

Source: Company, DART

We maintain our revenue estimates for FY24E/ FY25E. However, decrease our EBITDA estimates by 7.1%/ 6.7% for FY24E/ FY25E factoring higher opex. Accordingly, we decrease APAT estimates by 9.3%/ 9.2% for FY24E/ FY25E. We introduce FY26E estimates.

Exhibit 3: Volume, Realization & Cost/tn Analysis

Particulars (Rs)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	H1FY24	H1FY23	YoY (%)
Volume(MT)	1.2	1.0	16.4	1.2	(3.3)	2.4	2.1	12.1
Realization/tn (Rs)	4,871	5,066	(3.8)	4,951	(1.6)	4,912	5,192	(5.4)
EBITDA/tn (Rs)	598	476	25.5	772	(22.6)	686	676	1.6
Cost/tn (Rs)	4,273	4,589	(6.9)	4,179	2.2	4,225	4,516	(6.4)
Raw Material Cost/tn (Rs)	927	890	4.2	926	0.2	926	845	9.7
Employee Expenses/tn (Rs)	309	318	(2.8)	300	3.1	304	311	(2.2)
Power and Fuels/tn (Rs)	1,441	1,897	(24.0)	1,462	(1.4)	1,452	1,894	(23.4)
Freight Expenses/tn (Rs)	708	680	4.1	725	(2.3)	717	671	6.8
Other expenses/tn (Rs)	888	804	10.5	767	15.8	826	795	3.9

Source: Company, DART

Exhibit 4: % of Revenue

Particulars	Q2FY24	Q2FY23	Bps	Q1FY24	Bps	H1FY24	H1FY23	Bps
Raw Material Cost	19.0	17.6	146	18.7	35	18.9	16.3	259
Employee Expenses	6.3	6.3	7	6.1	29	6.2	6.0	20
Power and Fuels	29.6	37.4	(787)	29.5	6	29.6	36.5	(693)
Freight Expenses	14.5	13.4	111	14.6	(11)	14.6	12.9	167
Other expenses	18.2	15.9	236	15.5	274	16.8	15.3	151

Source: Company, DART

Exhibit 5: Income statement (Standalone)

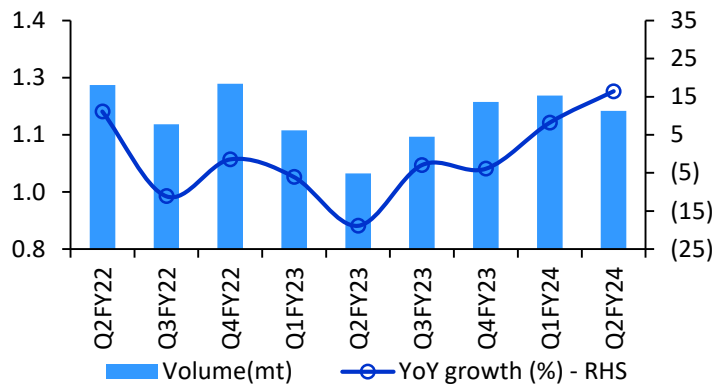
Particulars (Rs mn)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	H1FY24	H1FY23	YoY (%)
Total Revenue	5,665	5,061	11.9	5,956	(4.9)	11,621	10,959	6.0
Raw Material Cost	1,079	890	21.2	1,113	(3.1)	2,192	1,783	22.9
Employee Expenses	359	318	13.1	360	(0.4)	720	656	9.6
Power and Fuel	1,676	1,895	(11.6)	1,759	(4.7)	3,434	3,999	(14.1)
Freight Cost	824	680	21.2	873	(5.6)	1,696	1,417	19.7
Other expenses	1,033	803	28.6	923	11.9	1,955	1,679	16.5
Total Expenditure	4,970	4,585	8.4	5,028	(1.2)	9,997	9,533	4.9
PBIDT (Excl. OI)	695	476	46.0	929	(25.2)	1,624	1,426	13.8
Other Income	143	110	29.5	134	6.6	276	213	29.9
Depreciation	269	281	(4.3)	270	(0.3)	539	561	(4.0)
EBIT	568	305	86.6	793	(28.3)	1,361	1,078	26.3
Interest	86	207	(58.4)	91	(6.0)	177	287	(38.1)
EBT (before EO)	483	98	392.3	701	(31.2)	1,184	791	49.6
Exceptional items	0	0	-	0	-	0	0	-
EBT (after EO)	483	98	392.3	701	(31.2)	1,184	791	49.6
Tax	125	28	346.2	178	(30.1)	303	205	47.6
RPAT	358	70	410.7	523	(31.6)	881	586	50.3
Adjustment	0	0	-	0	-	0	0	-
APAT	358	70	410.7	523	(31.6)	881	586	50.3
Adj. EPS (Rs)	1.6	0.3	410.7	2.3	(31.6)	3.9	2.6	50.3
			bps		bps			bps
EBIDTA Margin (excl. O.I.)	12.3	9.4	287	15.6	(333)	14.0	13.0	96
NPM (%)	6.3	1.4	493	8.8	(246)	7.6	5.3	223
Tax Rate (%)	25.8	28.5	(267)	25.4	42	25.6	25.9	(35)

Source: DART, Company

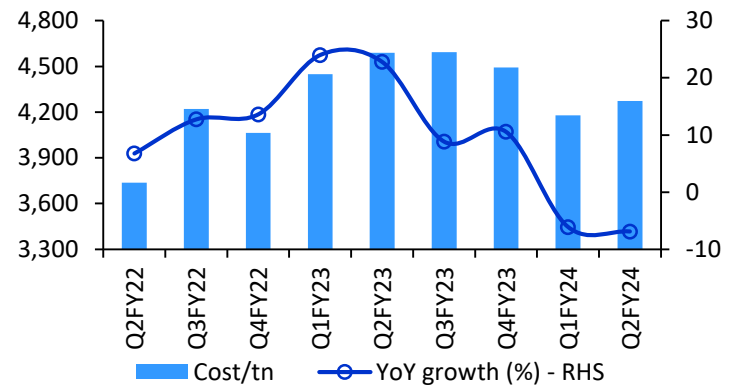
Exhibit 6: Valuation

Particulars	Rs mn
Assumed EV/EBITDA multiple (x)	7.5
EBITDA (FY26E)	4,620
EV	34,646
Less: Net Debt (FY26E)	(8,251)
Mcap	42,897
Shares o/s (mn)	227
(a) Value/share (Rs)	190
50% of FY26E Capital WIP	179
(b) Value/share (Rs)	1
Target price (Rs) (a+b)	191
CMP (Rs.)	188
Upside (%)	1.7

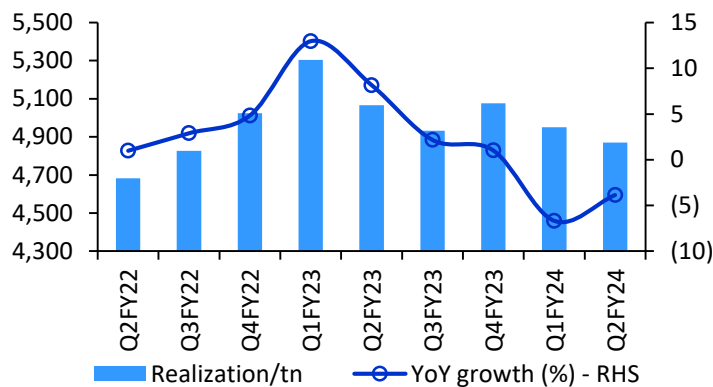
Source: Company, DART

Exhibit 7: Volume (mt)


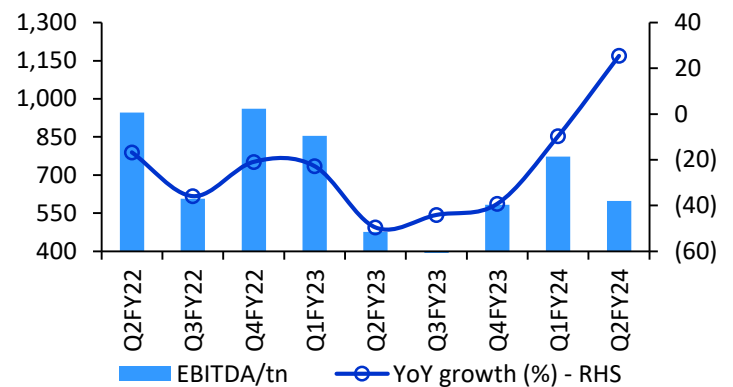
Source: Company, DART

Exhibit 8: Cost/tn (Rs)


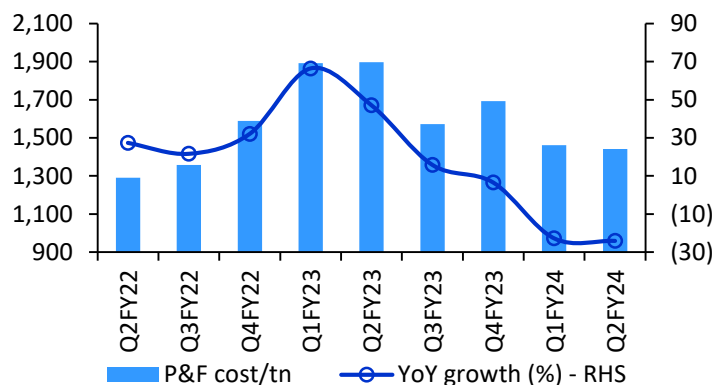
Source: Company, DART

Exhibit 9: Realization/tn (Rs)


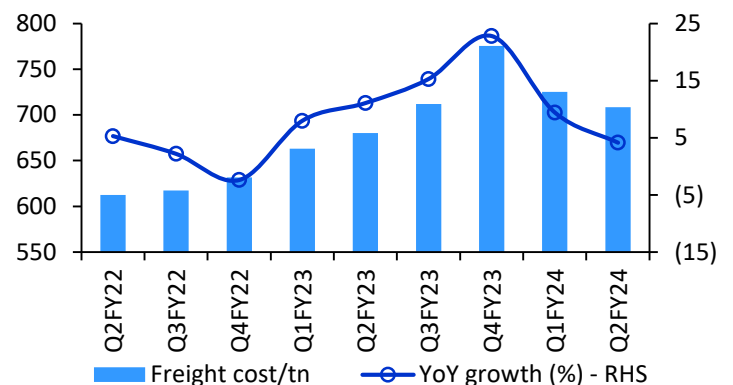
Source: Company, DART

Exhibit 10: EBITDA/tn (Rs)


Source: Company, DART

Exhibit 11: Power & fuel cost/tn (Rs)


Source: Company, DART

Exhibit 12: Freight cost/tn (Rs)


Source: Company, DART

Financial Performance

Profit and Loss Account

(Rs Mn)	FY23A	FY24E	FY25E	FY26E
Revenue	22,381	23,567	24,869	25,988
Total Expense	19,893	19,949	20,606	21,369
COGS	14,852	14,506	14,876	15,402
Employees Cost	1,330	1,437	1,523	1,614
Other expenses	3,710	4,007	4,207	4,352
EBIDTA	2,489	3,618	4,263	4,620
Depreciation	1,123	1,119	1,146	1,175
EBIT	1,365	2,499	3,118	3,445
Interest	461	356	300	250
Other Income	453	495	522	546
Exc. / E.O. items	0	0	0	0
EBT	1,358	2,638	3,340	3,741
Tax	366	664	841	941
RPAT	992	1,974	2,499	2,799
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	992	1,974	2,499	2,799

Balance Sheet

(Rs Mn)	FY23A	FY24E	FY25E	FY26E
Sources of Funds				
Equity Capital	2,266	2,266	2,266	2,266
Minority Interest	0	0	0	0
Reserves & Surplus	12,348	12,736	13,649	14,862
Net Worth	14,614	15,002	15,915	17,128
Total Debt	1,738	1,109	415	0
Net Deferred Tax Liability	2,134	2,134	2,134	2,134
Total Capital Employed	18,485	18,244	18,463	19,262

Applications of Funds

Net Block	14,904	13,885	13,740	12,765
CWIP	58	358	58	358
Investments	48	48	48	48
Current Assets, Loans & Advances	11,636	12,369	13,483	15,342
Inventories	1,752	1,872	1,908	1,994
Receivables	311	355	375	392
Cash and Bank Balances	4,920	5,848	6,685	8,251
Loans and Advances	0	0	0	0
Other Current Assets	4,653	4,294	4,515	4,706
Less: Current Liabilities & Provisions	8,161	8,417	8,866	9,252
Payables	2,630	2,776	2,930	3,062
Other Current Liabilities	5,532	5,640	5,936	6,190
<i>sub total</i>				
Net Current Assets	3,475	3,953	4,617	6,090
Total Assets	18,485	18,244	18,463	19,262

E – Estimates

Important Ratios

Particulars	FY23A	FY24E	FY25E	FY26E
(A) Margins (%)				
Gross Profit Margin	33.6	38.4	40.2	40.7
EBIDTA Margin	11.1	15.4	17.1	17.8
EBIT Margin	6.1	10.6	12.5	13.3
Tax rate	27.0	25.2	25.2	25.2
Net Profit Margin	4.4	8.4	10.1	10.8
(B) As Percentage of Net Sales (%)				
COGS	66.4	61.6	59.8	59.3
Employee	5.9	6.1	6.1	6.2
Other	16.6	17.0	16.9	16.7
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.1	0.0	0.0
Interest Coverage	3.0	7.0	10.4	13.8
Inventory days	29	29	28	28
Debtors days	5	6	6	6
Average Cost of Debt	25.3	25.0	39.4	120.5
Payable days	43	43	43	43
Working Capital days	57	61	68	86
FA T/O	1.5	1.7	1.8	2.0
(D) Measures of Investment				
AEPS (Rs)	4.4	8.7	11.0	12.4
CEPS (Rs)	9.3	13.6	16.1	17.5
DPS (Rs)	9.0	7.0	7.0	7.0
Dividend Payout (%)	205.7	80.4	63.5	56.7
BVPS (Rs)	64.5	66.2	70.2	75.6
RoANW (%)	6.6	13.3	16.2	16.9
RoACE (%)	7.6	12.7	15.3	16.2
RoAIC (%)	9.3	19.3	25.8	30.2
(E) Valuation Ratios				
CMP (Rs)	188	188	188	188
P/E	42.9	21.6	17.0	15.2
Mcap (Rs Mn)	42,592	42,592	42,592	42,592
MCap/ Sales	1.9	1.8	1.7	1.6
EV	39,410	37,853	36,322	34,341
EV/Sales	1.8	1.6	1.5	1.3
EV/EBITDA	15.8	10.5	8.5	7.4
P/BV	2.9	2.8	2.7	2.5
Dividend Yield (%)	4.8	3.7	3.7	3.7
(F) Growth Rate (%)				
Revenue	(2.6)	5.3	5.5	4.5
EBITDA	(42.7)	45.4	17.8	8.4
EBIT	(57.7)	83.0	24.7	10.5
PBT	(59.5)	94.3	26.6	12.0
APAT	(60.7)	99.1	26.6	12.0
EPS	(60.7)	99.1	26.6	12.0

E – Estimates

Cash Flow

Particulars	FY23A	FY24E	FY25E	FY26E
Profit before tax	1,358	2,638	3,340	3,741
Depreciation & w.o.	1,123	1,119	1,146	1,175
Net Interest Exp	146	356	300	250
Direct taxes paid	(439)	(664)	(841)	(941)
Change in Working Capital	219	450	173	93
Non Cash	(146)	0	0	0
(A) CF from Operating Activities	2,261	3,899	4,118	4,317
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(276)	(400)	(700)	(500)
Free Cash Flow	1,985	3,499	3,418	3,817
(Inc.)/ Dec. in Investments	0	0	0	0
Other	1,778	0	0	0
(B) CF from Investing Activities	1,503	(400)	(700)	(500)
Issue of Equity/ Preference	0	0	0	0
Inc./(Dec.) in Debt	(336)	(629)	(694)	(415)
Interest exp net	(255)	(356)	(300)	(250)
Dividend Paid (Incl. Tax)	(2,033)	(1,586)	(1,586)	(1,586)
Other	(42)	0	0	0
(C) CF from Financing	(2,665)	(2,571)	(2,580)	(2,251)
Net Change in Cash	1,098	928	837	1,566
Opening Cash balances	3,821	4,920	5,848	6,685
Closing Cash balances	4,920	5,848	6,685	8,251

E – Estimates

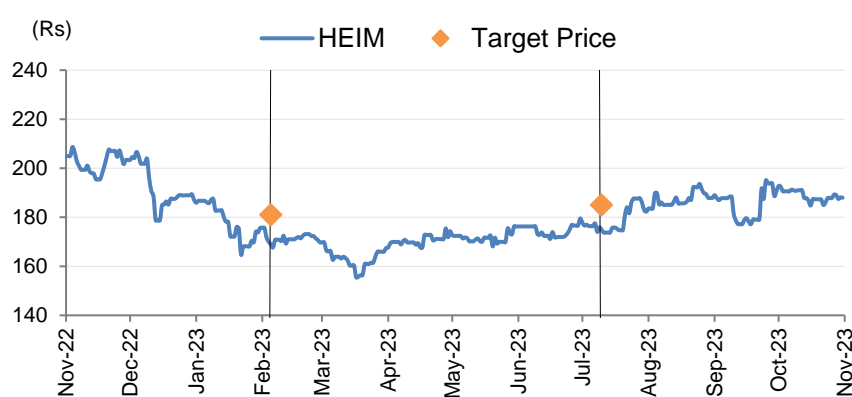
Notes

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Feb-23	Reduce	181	169
Jul-23	Reduce	185	175

**Price as on recommendation date*

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