

Industry  
Bloomberg  
BSE CODE

Building Materials  
HEIM IN  
500292

RATING	NEUTRAL
CMP	173
Price Target	192
Potential Upside	11%

Rating Change	↔
Estimate Change	↓
Target Change	↓

STOCK INFO	
52wk Range H/L	218/120
Mkt Capital (Rs Cr)	3925
Free float (%)	31%
Avg. Vol 1M (,000)	32
No. of Shares (Crs)	23
Promoters Pledged %	NA

## RESEARCH ANALYST

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## Subdued urban demand coupled with labor unavailability, logistics issues may impact volumes.

### 1QFY21 Result update

- In 1QFY21, Heidelberg revenue declined by 30.8% YoY to Rs. 408 cr. on account of volume de-growth of 32% YoY to 0.857 MT impacted due to standstill of operation due to nation-wide lockdown in the month of April amidst COVID-19.
- Mycem Power (premium cement) remained impacted due to lock down with volume de-growth of 28% and contributed to the extent of 14% of trade volumes in 1QFY21.
- Gross margin improved by 133 bps to 82.2% YoY while EBITDA margin declined by 19 bps to 26.6% YoY led by increase in employee and other expense.
- Power & fuel and freight expense (as a % of sales) declined by 11 bps/10 bps to 20.5%/13.6% YoY while other expense and employee expense increased by 35bps/126 bps to 14.9%/6.6% YoY impacted on account of increased safety measures and CSR spends made by the company amidst pandemic.
- PAT de-grew by 38.1% YoY to Rs. 408 cr. Impacted on account of lower volumes amidst COVID-19 with PAT margin at 12% in 1QFY21.

### View and Valuation

HEIDELBERG volume de-grew by 32% YoY to 0.857 MT with revenue de-growth of 30.8% YoY impacted due to nationwide lockdown amidst pandemic. Going forward, urban demand is expected to remain impacted due to vertical and local lockdowns in metros amidst rising number of COVID-19 cases while expected positive demand from rural India. On pricing front cement prices are expected to remain stable. On margin front the company's emphasis on cost optimization at operational level will ensure margin expansion while rising fly ash prices, reduced availability of truck drivers, laborers, and reduced dependency on railway will impact inward & outward logistics will remain key concerns. On the capacity front, the company's capacity has now reached 6.26 MTPA which will ensure no further volume loss to some extent in the long run. Thus, considering the current scenario of rising number of covid-19 cases, advent of monsoon, low demand from urban, man power unavailability we maintain our NEUTRAL rating with a target price of Rs. 192.

### Key Risks to our rating and target

- Decline in cement prices.
- Decline in rural demand.
- Further increase in prices of fly ash and other key raw materials like gypsum.

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19	FY20
Net Sales	1717	1889	2133	2170	2025
EBITDA	279	363	483	528	531
EBIT	180	262	382	419	419
PAT	76	133	221	268	270
EPS (Rs)	3	6	10	12	12
EPS growth (%)	115%	75%	66%	21%	1%
ROE (%)	8%	13%	19%	20%	18%
ROCE (%)	5%	9%	14%	17%	16%
EV/EBITDA	11.6	9.6	8.7	5.7	6.8
P/B (X)	2.8	3.1	3.5	2.5	2.7
P/E (x)	35.2	24.2	18.8	12.0	14.5

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## 1QFY21 Results

### Below expectation

Fig in Rs Cr

FINANCIALS	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY%	QoQ%	FY19	FY20	YoY%
Net Sales	589	522	548	510	408	-30.8%	-20.0%	2133	2170	1.7%
Other Income	12	12	11	17	10	-17.3%	-42.5%	35	53	51%
COGS	113	101	99	76	73	-35.6%	-4.0%	386	389	0.6%
Gross Margin	81%	81%	82%	85%	82%	1.3%	-3.0%	82%	82%	0.2%
Employee Cost	31	31	35	34	27	-14.4%	-20.7%	124	131	5.9%
Other Expenses	86	87	95	92	61	-29.2%	-33.7%	327	360	10%
EBITDA	158	123	120	127	108	-31.3%	-14.9%	483	528	9.2%
EBITDA%	27%	24%	22%	25%	27%	-0.2%	1.6%	23%	24%	1.7%
Depreciation	28	26	27	28	28	-0.8%	0.4%	102	109	6.7%
EBIT	130	96	93	100	81	-37.8%	-19.1%	382	419	9.9%
Interest	20	19	19	16	16	-19.3%	-1.6%	75	74	-1.2%
PBT	122	90	86	101	74	-38.8%	-25.9%	342	398	16.5%
Exceptional Item	-	-	-	-	-	-	-	-	-	-
Tax	43	32	21	34	26	-40.3%	-25.5%	121	130	7.5%
PAT	79	58	65	66	49	-38.1%	-26.2%	221	268	21.5%
PAT Margin	13%	11%	12%	13%	12%	-1.4%	-1.0%	10%	12%	2.0%

### Concall highlights

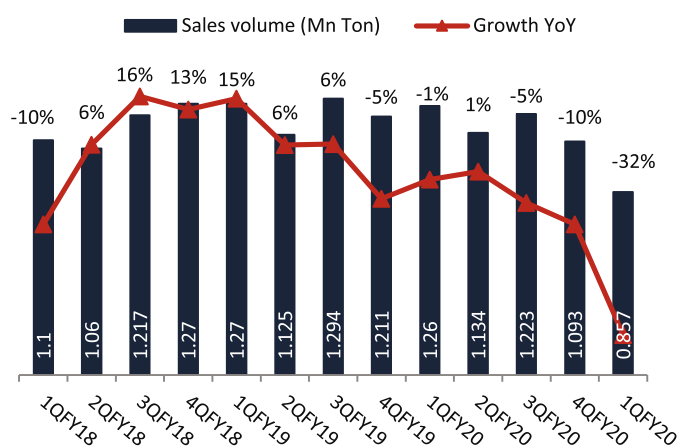
- The company's volumes remained impacted due to complete nation-wide lockdown and suspension of operations for most part of April 2020.
- The Company's dependence on grid power reduced to 59% YoY as of 1QFY21.
- Mycem Power (premium cement) remained impacted due to lock down with volume de-growth of 28% and contributed to the extent of 14% of trade volumes in 1QFY21.
- Trade: Non-trade mix stands at 89%:11% in 1QFY21.
- As per management, demand in July is expected to remain flattish due to monsoon.
- The Company is looking at green field expansion but are keeping it on hold due to Pandemic.
- The Company may come up with green field plant in west post macro situation improves and are also looking for expansion in any regions provided if there exists any opportunity.
- The Company's target is to get market share.
- The Company will keep increasing third party sourcing for power supply.
- Lead distance of the company increased by 10 km in 1QFY21 QoQ.
- Dispatches directly to dealer from plants stood at 65-70% while invoicing happens at warehouse but material goes from plants to dealers.
- As per Management rural demand stood in a range of 35%-40% in 1QFY21.
- Fly ash price increased by Rs. 150 due to increase in lead distance.

### FY21 Outlook:

- The Management expects government to promote construction as infrastructure activities helps to create employment.
- The Company expects reduction in demand in urban due to labour unavailability while rural demand is showing improvement.
- Management expects liquidity crunch to continue in channels in coming months due to Covid-19.
- As per Management energy prices may remain stable in short term, would depend on demand supply balance.
- Expected CAPEX for FY21-Rs. 40-50 cr.
- In Logistics front, reduced availability of truck drivers will impact inward and outward logistics and also reduced availability of manpower at railway yards may impact turnaround of rolling stock.

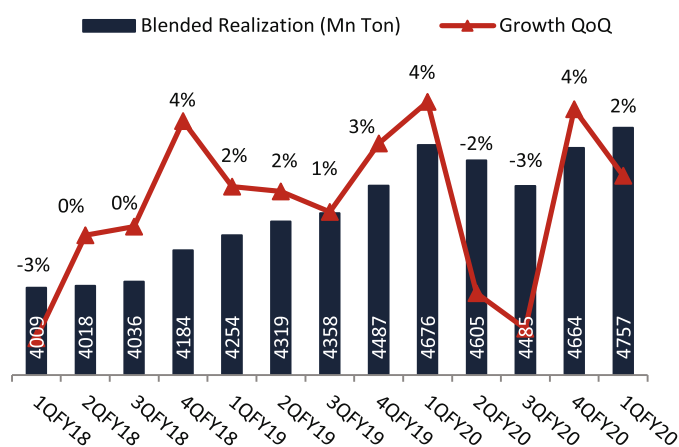
## Exhibit: Cement volume (Million Ton) trend

Vol. remained impacted led by nation wide lockdown in the month of April due to outbreak of Pandemic.



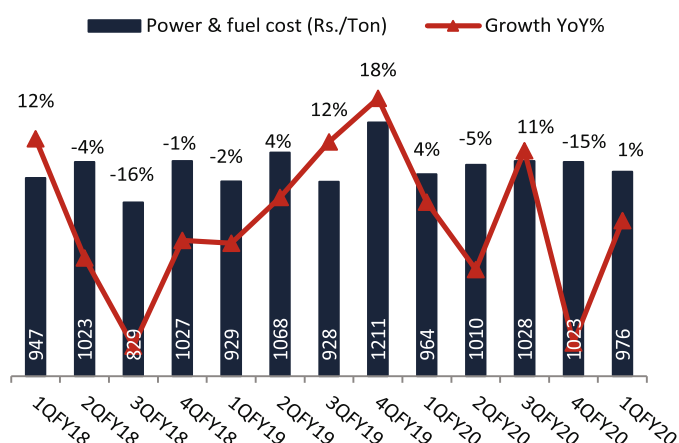
## Exhibit: Cement Realization (Rs./Ton) trend

Realization increased on QoQ basis led by slight increase in prices in some regions in 1QFY21.



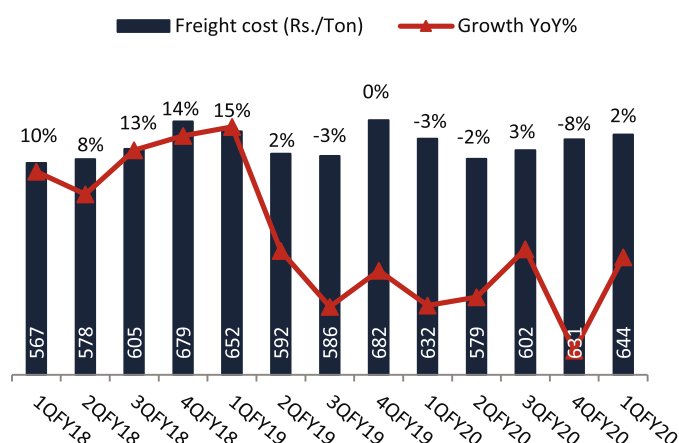
## Exhibit: Power & Fuel cost (Rs./Ton) trend

P & f cost increased by minor 1% YoY to Rs. 976/ton in 1QFY21.



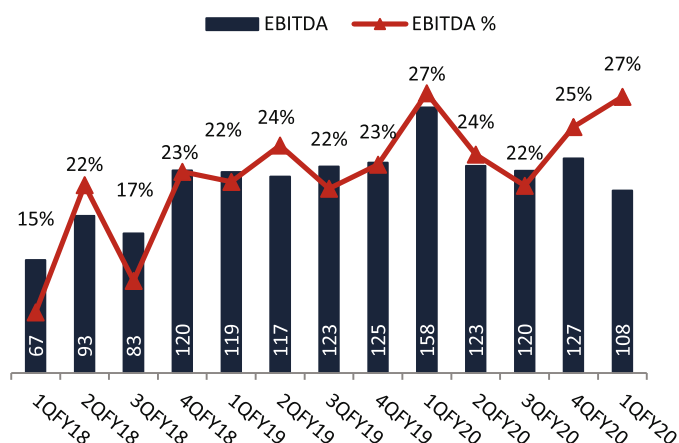
## Exhibit: Freight cost (Rs./Ton) trend

Freight cost increase led by increase in fuel prices and reduced availability of railway.



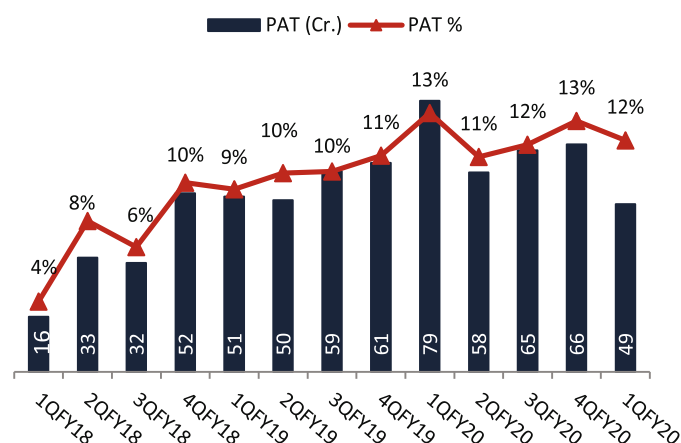
## Exhibit: EBITDA and EBITDA margin %

EBITDA margin deterioration led by higher other expense and employee expense amidst pandemic.



## Exhibit: PAT and PAT margin %

PAT stood at Rs. 49 cr. With PAT margin at 12% impacted on account lower revenue.



## Financial Details

### Balance Sheet

Fig in Rs Cr

Y/E March	CY13	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Share Capital	227	227	227	227	227	227	227	227
Reserves	607	640	668	740	820	945	1088	1241
<b>Networth</b>	<b>833</b>	<b>867</b>	<b>895</b>	<b>967</b>	<b>1046</b>	<b>1171</b>	<b>1315</b>	<b>1467</b>
Debt	1357	925	741	575	469	392	280	175
Total Capital Employed	2190	1792	1636	1542	1516	1563	1595	1642
<b>Net Fixed Assets (incl CWIP)</b>	<b>1954</b>	<b>1919</b>	<b>1957</b>	<b>1883</b>	<b>1814</b>	<b>1754</b>	<b>1709</b>	<b>1608</b>
Non Current Investments	-	-	-	-	-	-	-	-
Other Non Current Assets	199	39	33	31	29	25	31	31
Non Current Assets	2184	2093	2053	1942	1872	1808	1769	1668
<b>Inventory</b>	<b>199</b>	<b>191</b>	<b>178</b>	<b>140</b>	<b>127</b>	<b>167</b>	<b>146</b>	<b>136</b>
Debtors	31	19	26	13	19	25	26	34
Cash & Bank	114	146	8	14	212	338	470	505
Other Current Assets	231	347	350	299	303	357	383	440
Current Assets	575	703	562	466	661	887	1024	1115
<b>Creditors</b>	<b>190</b>	<b>191</b>	<b>186</b>	<b>191</b>	<b>227</b>	<b>278</b>	<b>258</b>	<b>241</b>
Provisions	151	191	207	216	219	234	267	249
Other Current Liabilities	202	553	509	344	412	401	403	376
Curr Liabilities	544	934	902	752	858	913	929	867
<b>Net Current Assets</b>	<b>31</b>	<b>-231</b>	<b>-341</b>	<b>-286</b>	<b>-197</b>	<b>-26</b>	<b>95</b>	<b>248</b>
<b>Total Assets</b>	<b>2759</b>	<b>2796</b>	<b>2615</b>	<b>2408</b>	<b>2533</b>	<b>2696</b>	<b>2793</b>	<b>2783</b>

### Income Statement

Fig in Rs Cr

Y/E March	CY13	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
<b>Revenue from Operation</b>	<b>1,209</b>	<b>2,044</b>	<b>1,648</b>	<b>1,717</b>	<b>1,889</b>	<b>2,133</b>	<b>2,170</b>	<b>2,025</b>
Change (%)	-	69%	-19%	4%	10%	13%	2%	-7%
Other Income	7	14	22	24	20	35	12	47
<b>EBITDA</b>	<b>102</b>	<b>322</b>	<b>231</b>	<b>279</b>	<b>363</b>	<b>483</b>	<b>528</b>	<b>531</b>
Change (%)	-	216%	-28%	21%	30%	33%	9%	1%
Margin (%)	8%	16%	14%	16%	19%	23%	24%	26%
Depr & Amor.	89	138	100	99	101	102	109	112
<b>EBIT</b>	<b>13</b>	<b>185</b>	<b>131</b>	<b>180</b>	<b>262</b>	<b>382</b>	<b>419</b>	<b>419</b>
Int. & other fin. Cost	106	139	108	90	74	75	74	65
<b>EBT</b>	<b>-85</b>	<b>60</b>	<b>45</b>	<b>114</b>	<b>208</b>	<b>342</b>	<b>398</b>	<b>401</b>
Exp Item	-	(60.31)	-	0	0	0	0	0
<b>Tax</b>	<b>-40</b>	<b>60</b>	<b>10</b>	<b>37</b>	<b>74</b>	<b>121</b>	<b>130</b>	<b>131</b>
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	-45	60	35	76	133	221	268	270
<b>Adjusted PAT</b>	<b>-45</b>	<b>60</b>	<b>35</b>	<b>76</b>	<b>133</b>	<b>221</b>	<b>268</b>	<b>270</b>
Change (%)	-	-231%	-41%	115%	75%	66%	21%	1%
Margin(%)	-4%	3%	2%	4%	7%	10%	12%	13%

## Financial Details

### Key Ratios

Y/E March	CY13	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
ROE	-5%	7%	4%	8%	13%	19%	20%	18%
ROCE	-2%	3%	2%	5%	9%	14%	17%	16%
Asset Turnover	0.4	0.7	0.6	0.7	0.7	0.8	0.8	0.7
Debtor Days	9	3	6	3	4	4	4	4
Inv Days	60	34	39	30	25	29	25	25
Payable Days	57	34	41	41	44	48	43	43
Int Coverage	0	1	1	2	4	5	6	6
P/E	(19)	28	50	35	24	19	12	16
Price / Book Value	1.0	1.9	2.0	2.8	3.1	3.5	2.5	3.0
EV/EBITDA	20	8	10	12	10	9	6	8
FCF per Share	18.1	18.0	16.8	18.0	18.0	19.2	22.2	15.2
Div Yield	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%	1.1%	1.4%

### Cash Flow Statement

Fig in Rs Cr

Y/E March	CY13	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
PBT	-81	120	45	114	208	342	398	401
(inc)/Dec in Working Capital	18	-71	40	104	59	-18	7	-119
Non Cash Op Exp	89	138	100	99	101	102	109	112
Int Paid (+)	102	135	107	88	72	72	71	65
Tax Paid	-2	-11	-13	-25	-44	-71	-75	-131
others	-7	-74	-22	-19	-11	-34	-50	5
<b>CF from Op. Activities</b>	<b>119</b>	<b>238</b>	<b>257</b>	<b>361</b>	<b>385</b>	<b>393</b>	<b>459</b>	<b>333</b>
(inc)/Dec in FA & CWIP	-202	-172	-122	-45	-18	-42	-44	-12
Free Cashflow	-83	65	135	317	366	351	415	322
(Pur)/Sale of Inv	-	-	-	-	-	-	-	-
others	7	179	17	7	10	16	29	0
<b>CF from Inv. Activities</b>	<b>-195</b>	<b>7</b>	<b>-105</b>	<b>-37</b>	<b>-9</b>	<b>-26</b>	<b>-14</b>	<b>-12</b>
inc/(dec) in Debt	239	-64	-172	-221	-43	-83	-125	-105
Int. Paid	-122	-147	-115	-93	-76	-64	-59	-65
Div Paid (inc tax)	0	0	0	0	-54	-95	-123	-117
<b>CF from Fin. Activities</b>	<b>117</b>	<b>-212</b>	<b>-287</b>	<b>-315</b>	<b>-173</b>	<b>-242</b>	<b>-307</b>	<b>-287</b>
Inc(Dec) in Cash	41	33	-135	9	203	126	138	35
<b>Add: Opening Balance</b>	<b>73</b>	<b>114</b>	<b>146</b>	<b>8</b>	<b>14</b>	<b>212</b>	<b>337</b>	<b>470</b>
Closing Balance	114	147	11	17	217	338	475	505

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