ICICI direct Research

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HeidelbergCement India (HEICEM)

ICICI Direct

CMP: ₹ 212 | Target: ₹ 260 (23%) | Target Period: 12 months | BUY

July 14, 2025

Heading towards steady recovery…

About the stock: HeidelbergCement India, is a subsidiary of global building materials company - Heidelberg Materials (Germany).

- Presently, the Company is operating 3 cement plants located at Damoh (Madhya Pradesh), Jhansi (Uttar Pradesh) and Ammasandra (Karnataka)
- Cement and Clinker capacity stands at 6.26 million tonnes per annum (mtpa) and 3.1 mtpa at present

Investment Rationale

- **Volume growth expected to recover going ahead:** After a subdued FY25 (company's sales volume de-grew by 6.1% YoY due to weakness in demand because of elections, monsoon & extended heatwave), cement sales volume is expected to pick-up in FY26E-27E, led by improvement in demand across its selling markets. The company is also in process of completing its 0.2 mtpa expansion through de-bottlenecking, which will take the total capacity to 6.46 mtpa by Q2FY26E (from 6.26 mtpa at present). Management guides volume growth of 6-7% in FY26E (in-line with industry growth). We also estimate sales volume CAGR of 6% over FY25-27E to 5.1 mtpa in FY27E. Moreover, company has also recently acquired limestone mines in Madhya Pradesh and is looking for suitable sites for further cement capacity expansions of around 2.5-3 mtpa. In the longer-term, company is planning to expand its capacity in Gujarat (awaiting environmental clearances by government)
- **Focus on operational efficiencies to drive EBITDA/ton improvement:** Company's EBITDA/ton was impacted during FY25, mainly on account of lower realisations and negative operating leverage. However, company's profitability is expected to improve considerably going ahead, led by improvement in prices & focus on cost savings and positive operating leverage. Reduction in overall cost structure would be primarily driven by increasing usage of green power & alternative fuels. Company is also exploring merger with parent group company Zuari Cement (capacity of 7.1 mtpa), which may also drive further operational efficiencies in future. Moreover, focus on optimising product mix would further help company to improve operational competitiveness. We expect EBITDA/ton to improve to ₹ 770/ton in FY27E (vs Rs 530/ton in FY25)

Rating and Target Price

- With recovery in sales volume and improvement in EBITDA/ton over FY25-27E, we expect revenue to grow ~8% CAGR over FY25-27E while EBITDA & PAT are expected to grow at ~28% & ~44% CAGR respectively
- Valuations at 10.8x EV/EBITDA & USD 76 EV/ton on FY27E basis look attractive considering the strong parent support, presence across high-growth central markets, net cash balance sheet and recovery in overall profitability. We recommend BUY on HeidelbergCement India with a target price of Rs 260 (based on 13.5x EV/EBITDA on FY27E)

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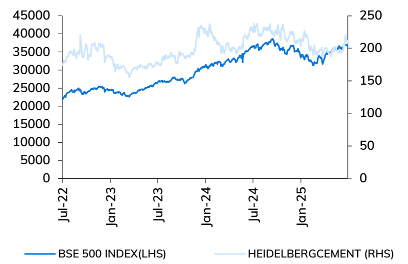
Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	4,812
FY25 Gross Debt (Rs Crore)	68
FY25 Cash & Equivalents (Rs Crore)	478
EV (Rs Crore)	4,402
52 Week H/L (Rs)	258 / 181
Equity Capital	226.6
Face Value	10.0

Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	69.4	69.4	69.4	69.4
FII	4.4	3.1	2.3	2.3
DII	10.8	11.9	12.7	13.3
Others	15.4	15.6	15.6	15.1

Price Chart



Recent Event & Key risks

(1) Slowdown in demand (2) Delays in capacity expansion (3) Increase in commodity prices (4) High competition

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Key Financial Summary

(₹ crore)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Revenues	2,297	2,238	2,366	2,149	-2.2%	2,323	2,512	8.1%
EBITDA	435	249	317	239	-18.0%	310	390	27.7%
EBITDA margin (%)	18.9	11.1	13.4	11.1		13.4	15.5	
Net Profit	252	99	168	107	-24.9%	164	222	44.1%
EPS (I)	11.1	4.4	7.4	13.8		21.2	28.7	
P/E (x)	19.1	48.5	28.7	15.3		10.0	7.4	
EV/EBITDA (x)	10.7	18.1	13.9	18.4		13.9	10.8	
EV/ton ($)	87.5	84.9	82.6	82.7		78.6	76.6	
RoCE (%)	21.6	11.0	16.3	12.0		16.4	20.9	
RoE (%)	16.9	6.8	11.4	7.7		11.5	14.9	

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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