NALANDA RESEARCH

HeidelbergCement India

- On course to realize true potential

Company Update **Aug 31, 2018**

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HeidelbergCement India

Persistent strong performance improves profitability visibility

HeidelbergCement India (HCIL), a prominent player in Central India, is a subsidiary of global major HeidelbergCement Group, selling under its brand "MyCem Cement". With an improved demand-supply dynamics in its key region, followed by its deleveraging exercise and reduction in variable costs, we initiate coverage on HCIL with a BUY rating and target price of Rs 194, implying ~19.8% upside potential from current levels.

High demand and limited industry capacity addition maintains pricing power

- The company has reported a production volume growth of more than 10%, higher than the industry which reported a production volume growth of 8.7% in the last twelve months.
- Post the ban on sand mining in Uttar Pradesh (which accounts for 65-70% of demand in the region), demand had slowed down considerably. However , these issues have been resolved and coupled with upcoming state elections in Madhya Pradesh, Rajasthan and Chattisgarh, demand is expected to pick up (~6.5% in FY19).
- Due to limited expansion potential in the region (due to only one limestone cluster in Satna, MP), incumbent major players continue to enjoy higher realisation than other regions.

Ramp up of WHRS and operational efficiencies keeps margin buoyant

- The company has offset a substantial increase in power and fuel cost due to the ramp up of its 12 MW Waste Heat Recovery based Power Generation Plant (WHRPG) commissioned in FY16 in Narsinghgarh, MP. The power mix of Narsinghgarh plant has changed from 100% grid power in FY15 to 62% grid power and 38% WHRPG power in FY18.
- We expect a saving of INR 10-15/ton due to the new government notification to increase truck load capacity (thereby reducing logistics cost/ton).

Consistent deleveraging to strengthen balance sheet

- The company has consistently repaid debt every year post its expansion to 5.4mt in CY12. Debt-to-equity ratio has reduced from 1.5x in 15MFY15 to 0.59 in FY18.
- Going forward, with no capex planned in the next 2-3 years and better working capital, we expect the company to be debt-free by FY22.
- With excess cash, the company has also begun to provide dividend to investors after 20 years in FY17. As of FY18, dividend payout ratio is 43%.

Higher mix of premium products to boost profitability

- The company's premium offering, "MyCem Power" is contributing a higher share to its revenues. In FY18, volume of mycem power increased to 254% of FY17 and now occupies 9% of overall trade sales.
- A higher proportion of premium products in the revenue mix will translate to higher realization and in turn higher margin.

STRONG BUY *

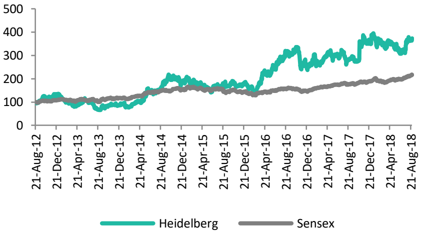
Downside Scenario	Current Price	Price Target	Upside Scenario
	162	194	
		19.8%▲	

Stock Details	
Industry	Cement
Sensex	38690
Nifty	11677
Bloomberg Code	HEIM:IN
Eq. Cap. (INR Crores.)	227
Face Value (INR.)	10
52-w H/L	117/190
Market Cap (INR. Mn.)	3667

Valuation Data

	FY18	FY19E	FY20E
P/E (x)	23.8	17.7	14.0
EV/EBITDA(x)	9.8	8.9	7.3
EV/Ton(x)	101.8	107.3	95.9

HeidelbergCement India Vs SENSEX



Shareholding Pattern (in %)

	Jun'18	Mar'18	Jun'17
Promoters	69.39	69.39	69.39
FIIs	12.28	12.21	12.26
DIIs	5.97	5.97	6.72
Retail	9.73	9.78	10.05
Others	2.64	2.65	1.59
Total	**100.0**	**100.0**	**100.0**

7.4%	14.6%	33.6%
Revenue Growth CAGR FY18-FY20E :	*EBITDA Growth CAGR* FY18-FY20E :	*PAT Growth CAGR* FY18-FY20E :

** Read last page for disclaimer & rating rationale*

ANALYST
Vaibhav Chowdhry, vaibhav.chowdhry@nalandasecurities.com, +91-22-6281-9649
ASSOCIATE
Nirmal Gopi, nirmal.gopi@nalandasecurities.com, +91-22-6281-9648

NALANDA SECURITIES PRIVATE LIMITED
310-311 Hubtown Solaris, NS Phadke Marg, Opp Teli Gali, Andheri East, Mumbai 69
+91-22-6281-9600 | research@nalandasecurities.com | www.nalandasecurities.com

Valuation

We initiate coverage on the stock on the back of:

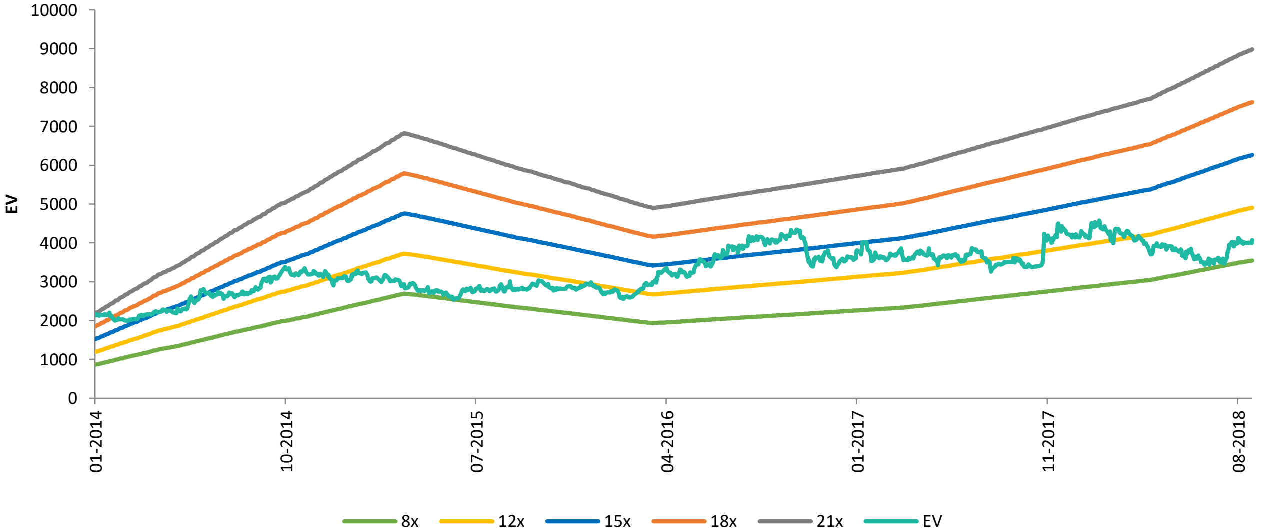
- Government push on infrastructure and affordable housing resulting in higher demand
- Improving fundamentally with stronger balance sheet, higher margins and better return ratios
- Lower industry capacity additions in its key operating markets
- Its global parent may help in inorganic acquisitions as well as obtaining low interest loans

Cement companies tend to trade at different bands of EV/Ton based on their capacity and market diversification (due to lower concentration risk of earnings).

- We expect HCIL to report a revenue CAGR growth of 7.4% over FY18-21 to achieve INR 2341cr of net sales in FY21. This is mainly driven by a volume CAGR growth of 5.3% on the back of favourable demand-supply mechanics in its key markets.
- Also, with a higher proportion of power coming through WHRS as well as solar power, we expect power and fuel costs to come down. EBITDA is expected to grow at a CAGR of 14.6% with margins improvement led by positive operating leverage (due to higher capacity utilization) as well as savings in power and fuel cost.
- Further, with debt repayment, interest cost for the company is expected to come down significantly by ~INR 50cr from FY18-21E. This translates to a PAT CAGR of ~34% over FY18-21E with ROCE to be in the range of 28.7% in FY21E.
- At CMP of 162/share, HCIL trades at an EV/EBITDA of 7.3x on FY20E earnings and an EV/Ton of $95.9 on FY20E capacity. We value HCIL's present capacity of 5.4mt at EV/Ton of $100 (asset-based) and EV/EBITDA at 10x (earnings-based) to reach at an average target price of INR 194/share, giving a potential upside of 19.8%.

Particulars (INR Crore)	CY13	15MFY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Revenue	1209	2044	1648	1717	1889	2013	2180	2341
Growth		*69.1%*	*7.5%*	*-21.9%*	*10.0%*	*6.5%*	*8.3%*	*7.4%*
EBITDA	102	322	231	279	363	424	486	547
Growth		*215.7%*	*-4.3%*	*-9.5%*	*30.3%*	*16.8%*	*14.5%*	*12.6%*
PAT	-45	60	35	76	133	208	263	318
Growth		*-231.1%*	*-20.8%*	*61.5%*	*74.8%*	*56.0%*	*26.4%*	*20.9%*
EBITDA Margin(%)	8.4%	15.8%	14.0%	16.2%	19.2%	21.1%	22.3%	23.4%
PAT Margin(%)		2.9%	2.1%	4.4%	7.0%	10.3%	12.1%	13.6%
EPS	-2.0	2.6	1.6	3.4	5.9	9.2	11.6	14.0
P/E	-22.6	24.8	46.5	35.0	23.8	17.7	14.0	11.6
EV/EBITDA	22.3	8.2	11.6	12.0	9.8	8.9	7.3	6.0
EV/Ton	64.7	75.0	76.3	95.7	101.8	107.3	95.9	86.2

Band Chart



Source: NSPL Research

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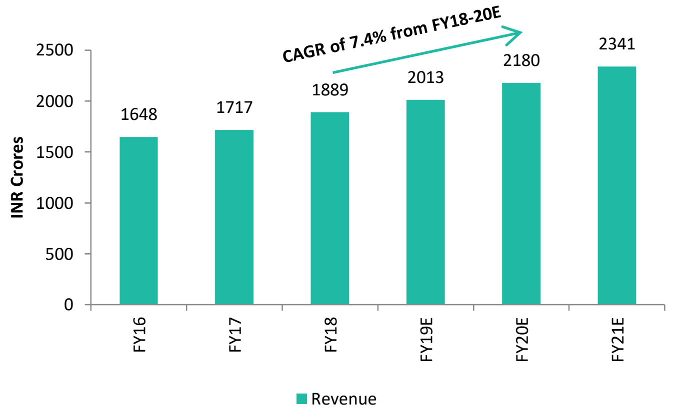
Investment Rationale

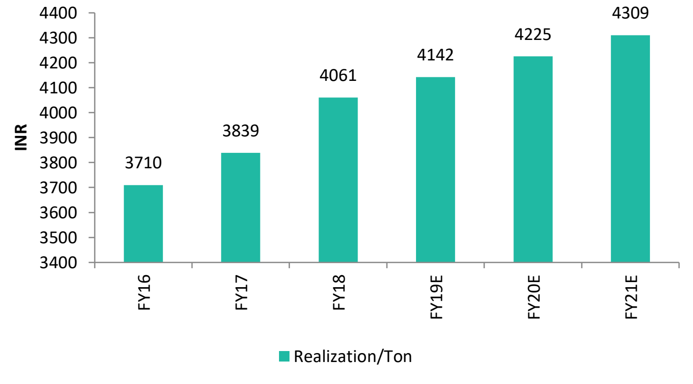
Strong revenue growth expected going ahead



Demand growth in UP and MP to be key trigger

- The Central region, where HCIL primarily operates, is set to witness an uptick in demand. This is mainly driven by government's push towards infrastructure and affordable housing projects. Madhya Pradesh and Uttar Pradesh are present in top 5 beneficiaries of affordable housing, of which HCIL is directly benefitted.
- The ban on sand mining in Uttar Pradesh, which was largely prevalent from Q2FY17, is now resolved, as indicated by various players in the region.
- We expect cement demand to grow at ~6.5% from FY19 onwards on the back of availability of sand and aggregates, demand growth from rural and urban housing as well as higher demand due to upcoming state elections in major states like Madhya Pradesh, Rajasthan and Chhattisgarh.

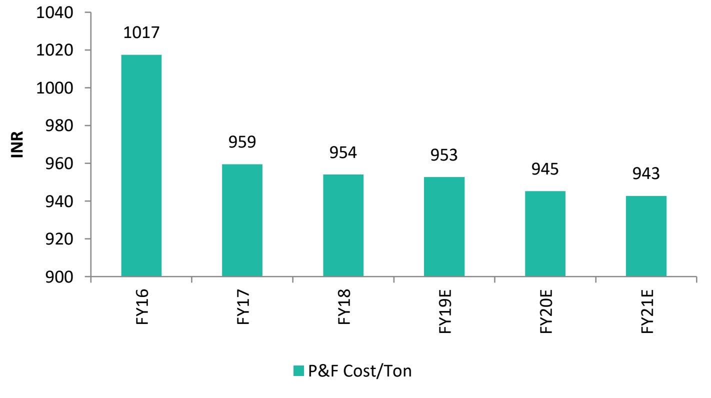
Higher pricing power translating to higher realization



Higher pricing power due to minimal industry capacity addition

- The Central region is estimated to receive a capacity addition of 9.8mt in the next 3-4 years as opposed to a ~72mt all-India capacity addition between FY19-FY21.
- This will maintain the narrow demand-supply gap in the region and increase the pricing power of the company.
- The region is also witnessing consolidation with ~75% of capacity share occupied by the top 5 players.

Increase in P&F cost due to high pet-coke and coal prices, offset by WHRS plant and cost control initiatives



Source: NSPL Research

Cost control through ramp up of Waste Heat Recovery Plant

- The company has ramped up its WHRS plant commissioned in FY16, to now account for 38% of power mix.
- The company has also reduced Contract Demand from DISCOM and sourced economical power under open access to reduce power cost.
- HCIL has further signed a 25 year Solar Power Purchase Agreement for its Ammasandra unit. This renewable energy will meet close to 50% of the Ammasandra's power requirement and will come into effect from FY19. This will be available at a discount of 30-35% from current grid tariff and the company is also looking to replicate this model at Damoh, MP due to lack of further improvement in power efficiencies. The remaining power at Ammasandra is expected to be sourced through economical sources under open access such as the Indian Energy Exchange.

ANALYST
Vaibhav Chowdhry, vaibhav.chowdhry@nalandasecurities.com, +91-22-6281-9649
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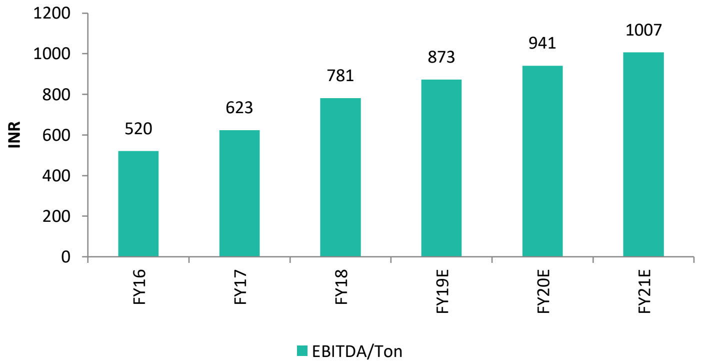
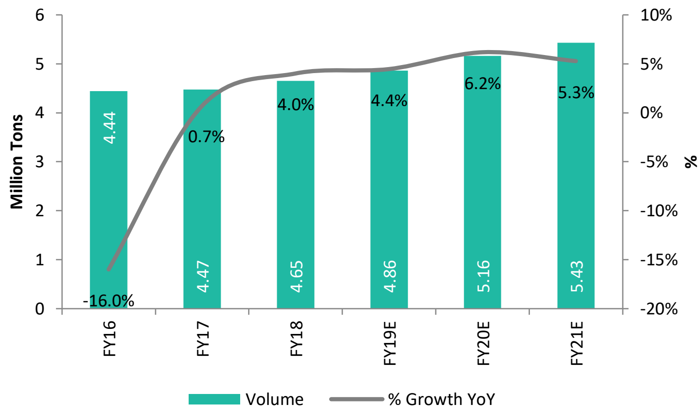
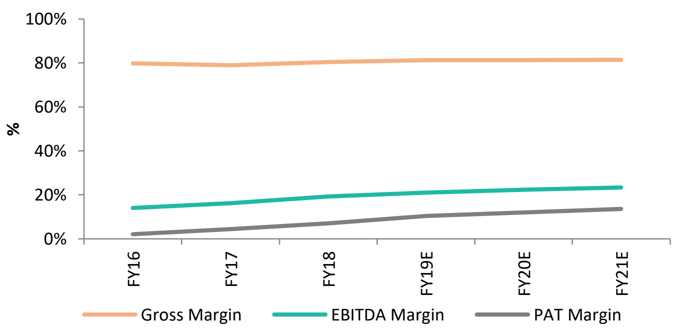
Rising EBITDA/Ton due to positive operating leverage



Rising demand leading to higher sales volumes



Margins poised to increase with efficient cost controls



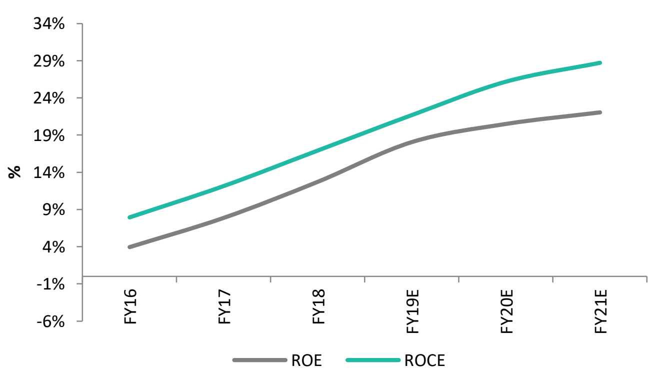
Deleveraging exercise to further strengthen balance sheet

- Gross debt at the end of FY15 stood at INR 1300cr for the company. Through consistent repayment, this has been brought down to INR 619cr as of FY18 (net debt at INR 337cr as of Q1FY19). Going forward, with the absence of significant capex in the pipeline, the company is expected to become debt-free by 2022.
- Also, HCIL is also expected to generate significant free cash flows. Currently, the company has high cash in its books, to the tune of INR 212cr.
- The company also has been steadily improving its working capital requirements. Working capital has now become negative and reduced from INR 18cr in FY16 to INR -81cr in FY18 and is expected to reach INR -100cr in FY21E.
- HCIL has also restarted its dividend policy after a span of 20 years. Its dividend payout as of FY18 was 43%, which shows the company's ability and willingness to return value to its shareholders.

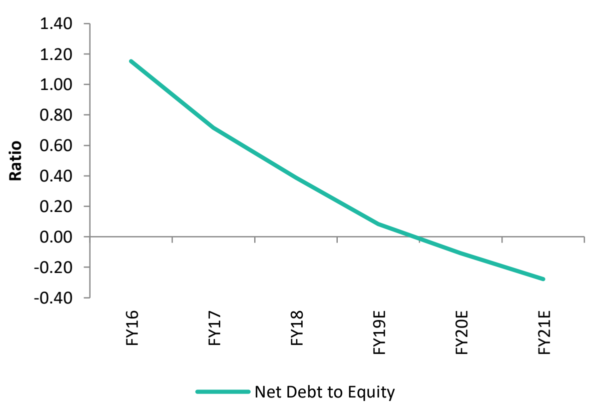
Margins to be boosted due to higher proportion of premium products and cost efficiencies

- The company has reduced its electricity consumption per unit of cement from 77.2 in FY16 to 74.2 in FY18, effectively reducing power and fuel cost/ton
- HCIL launched its premium product offering, "mycem power" in FY16. In FY18, the volume of mycem power increased to 254% of FY17. This product provides higher margins to the company and currently contributes 9% of the trade sales.
- The company's trade and non-trade mix is 80:20. The higher the trade proportion of the company, the higher its margins would be due to a higher pricing environment offered by the trade segment.
- In the transportation front, the company uses both rail and road to transport its products. With the recent increase in truck load capacity, the company is expected to save freight costs to the tune of INR ~10/ton. Currently, the rail:road mix for the company is 55:45.

Return ratios to expand going ahead



Company expected to be net cash by FY20E



Source: NSPL Research

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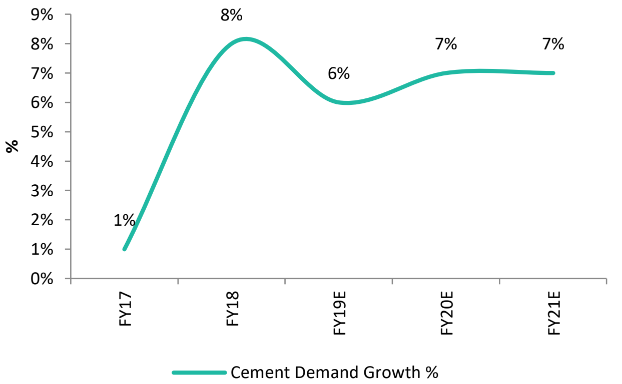
Industry Dynamics to favour future growth

(in Million Tons)	FY18	FY19E	FY20E	FY21E	FY22E
Central	**1.8**	**3.8**	**6**	**-**	**-**
South	3.2	6.9	5	6.2	7.5
North	4.7	-	3.5	10.5	-
East	6	8	3.2	-	7.8
West	-	-	1.9	7	4
All India	**15.7**	**18.7**	**19.6**	**23.7**	**19.3**

Source: Companies Data, NSPL Research

Demand growth to moderate to 6-7%



Source: NSPL Research

- The Indian cement industry is the second largest producer in the world after China with a capacity of ~414mt in FY18. This is expected to grow to ~477mt in FY21 as per capacity additions announced by companies.
- Historically, the supply of cement has always been more than demand. Demand for cement in FY18 was ~295mt and is expected to grow to ~357mt translating to a growth of ~6.5% per year.
- This expected boost in demand is attributable to various factors. Rural Individual Housing, which accounts for 30-35% of overall cement demand growth, is witnessing an uptick, driven by higher purchasing power of farmers due to MSP hike, favourable rainfall seen in Central, West and South India and also subsidies and waivers offered by the Government prior to elections.
- Urban Housing, which contributes about 15% of total cement demand growth, remains subdued with an increasing build-up of inventory visible over the last few years.
- Government housing, both in urban and rural areas, contributes about 7-8% to total demand growth due to the allocation of a significant amount of budget to PMAY-U and G. This augurs well for the industry as the government has increased focus on execution of these projects.
- Infrastructure, contributing about 30% of demand growth, looks bright in the near term, due to the government's aggressive execution of road, dam, highways, freight corridor projects etc. We expect this to normalize post elections and estimate a growth of 8-10% from FY18-20.
- Capex from private players, although subdued over the last few years, is expected to pick up due to higher capacity utilisations.

Future capacity addition in regions operated by HCIL (In Million Tons)

Company	Location	FY18	FY19E	FY20E	FY21E	FY22E
Central						
Ultratech Cement	Dhar & Barra, MP	1.8	1.8	4	-	-
Wonder Cement	Dhar & Dhule, MP	-	2	2	-	-
Total		1.8	3.8	6	-	-
South						
NCL Industries	Simhapuri, Telangana	0.8	-	-	-	-
KCP	Muktyala, AP	-	1.7	-	-	-
Shree Cement	Gulbarga, Karnataka	-	3	-	-	-
Ramco Cement	Vizag & Kurnool, AP		-	1.1	-	2.5
Sagar Cement	Vizag	-	1.2	0.3	-	-
JSW Cement	Vijaynagar, Karnataka	2.4	-	-	-	-
Chettinad Cement	Guntur, AP	-	-	-	3.5	-
Anjani Portland	Telangana	-	-	-	1.2	-
Penna Cement	Boyareddypalli, AP	-	-	2.6	-	-
Orient Cement	AP & Karnataka	-	-	1	-	5
Tancem	Ariyalur, TN	-	1	-	-	-
My Home Industries	Vizag, AP	-	-	-	1.5	-
Total		**3.2**	**6.9**	**5**	**6.2**	**7.5**

Source: Companies Data, NSPL Research

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Nirmal Gopi, nirmal.gopi@nalandasecurities.com, +91-22-6281-9648

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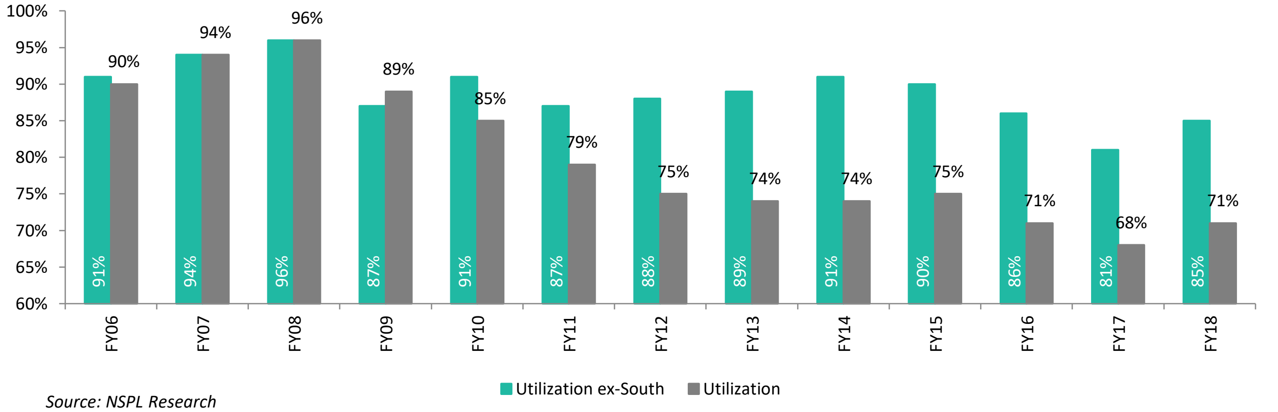
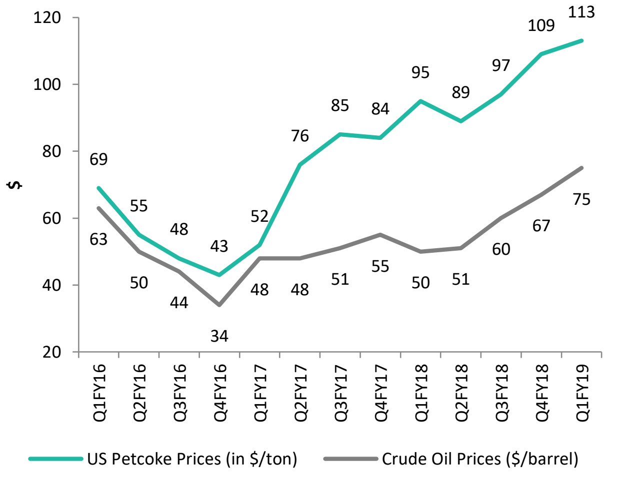
- The Central region, which is HCIL's key market, historically has had a favourable demand-supply dynamics. This is evident with average capacity utilization of companies hovering around 85% as compared to 50% in South, 84% in West, 78% in North and 76% in East in FY18. Going forward, with the slew of capacity additions proposed, we expect the average capacity utilization to slightly dip to 81% in the Central region in FY21E.
- A ramp up of stressed plants such as Binani (in North), Murli Industries (in MP) and Kalyanpur cements (in East) may put pressure on pricing in select regions.

Utilization to pick up after bottoming out in FY17



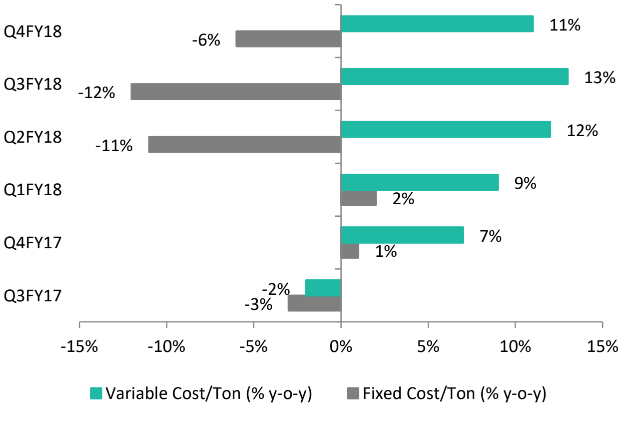
Source: NSPL Research

Rising trend of pet-coke prices; expected to have peaked out



Source: EIA

Variable cost hikes offset by focused control on fixed costs



Source: NSPL Research

Input cost pressures to limit profitability

- The industry is also plagued by rising input costs. Over the last 8-10 quarters, the price of pet-coke, which is used as fuel in kilns by most of the cement companies, rose substantially. This was primarily due to a rise in crude prices as well as a hike in import duty by the Government (from 2.5% to 10% in December 2017).
- Companies operating in the Northern region such as JK Lakshmi, JK Cement and Shree Cement uses a higher proportion of pet-coke . However, we believe pet-coke prices have peaked out and do not expect a surge in prices.
- With the hike in pet-coke, companies have also switched to domestic and imported coal as well as alternate fuels and raw materials (AFR) to fuel their kilns. This has partially offset the rise in power and fuel costs which accounts for nearly 28-30% of overall cost for cement companies.
- A rise in diesel prices as well as non-availability of rakes (due to frequent shifting of priorities by Railways) has led to an increase in logistics costs. This has been partially offset by firms through the optimization of lead distance as well as the rail:road mix (currently 70% of the volumes are transported by road). Some companies also use the sea route to transfer clinker, which is considerably cheaper.
- Most of these input cost pressures have been partially offset by companies through a strict control on fixed costs and employee expenses.

Consolidation and brownfield expansion the way ahead

- The top 5 players in the cement industry has cemented their position with a capacity share of 54% vs 47% in 2007. With players having capacity >30mt continuing to expand aggressively, the consolidation is expected to be a tailwind to the industry.
- Although the industry witnessed 62% of the overall capacity expansion through the greenfield route from FY15-18, future capacity addition and consolidation is expected to be replaced by brownfield expansions and M&A activities due to lower lead time as well as capex costs.

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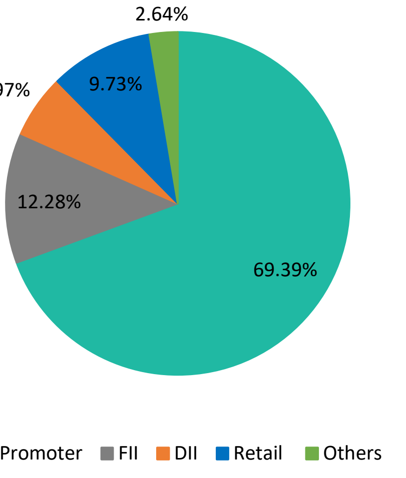
Management Team

Name	Designation
P G Mankad	Non Executive Chairman
Sushil Kumar Tiwari	Whole Time Director
Kevin Gerard Gluskie	Non Executive Director
Soek Peng Sim	Non Executive Director
Pradeep V Bhide	Independent Director
Jamshed Naval Cooper	Managing Director
Albert Scheuer	Non Executive Director
Juan-Francisco Defalque	Non Executive Director
S Krishna Kumar	Independent Director

Shareholding Pattern



About the company

HeidelbergCement India Limited (HCIL) is a subsidiary of HeidelbergCement Group, Germany. The Company has its operations in Central India at Damoh (Madhya Pradesh), Jhansi (Uttar Pradesh) and in Southern India at Ammasandra (Karnataka). Company increased its capacity to 5.4 million tons p.a. through brown field expansion of its facilities in Central India in 2013. This has enabled HCIL to increase its share in Central India and also cater to the markets of Bihar, Haryana and Uttarakhand. The Company has carved a niche for its brand "mycem" in its existing and new markets.

Location of the Plant	State	Region	Capacity (in Million Tons)
Damoh	Madhya Pradesh	Central	2.0
Jhansi	Uttar Pradesh	Central	2.7
Ammasandra	Karnataka	South	0.7

HCIL manufactures both Portland Pozzolana Cement (PPC) & Portland Slag cement (PSC). HCIL sells close to 95% of the PPC and PSC output in the central region and the remaining in the western and southern regions.

Parent Company:

HeidelbergCement is a German multinational building materials company headquartered in Heidelberg, Germany. On 1 July 2016, HeidelbergCement AG completed the acquisition of a 45% shareholding in Italcementi. That acquisition made Heidelberg Cement the number-1 producer of construction aggregates, the number 2 in cement and number 3 in RMC worldwide. The enlarged Group has activities in around 60 countries with 60,000 employees working at 3,000 production sites. HeidelbergCement operates 139 cement plants with an annual cement capacity of 176 million tonnes, more than 1,500 ready-mixed concrete production sites, and over 600 aggregates quarries.

Evolution of Heidelberg Group (HG) in India:

- HG entered India in 2006 through a JV in Indorama Cement Limited and acquired a major stake in Mysore Cement Limited. The company acquired the balance stake of Indorama Cement in 2008 and merged the operations of the same with Mysore Cement Limited and capacity of the Company increased to 3.07mt. The merged entity was renamed as HeidelbergCement India Limited with effect from April 2009.
- HG further increased its presence in India with the acquisition of Italcementi in the H2FY17. Italcementi had entered the Indian market in 2001, through acquisition of Zuari Cement, which had an integrated cement plant at AP.
- Although HG acquired Italcementi, HCIL did not obtain any control or benefit from the acquisition. However, in certain geographies covered by Zuari (such as Kerala, Telangana, AP and Tamil Nadu),it does derive certain synergies with respect to restriction in selling of products in these geographies. Zuari Cement currently has 3 plants with a total aggregate capacity of 6mt and a capacity under development of 4.1mt.

Fund Holdings	%
FIRST STATE INDIAN SUBCONTINENT FUND	2.68
THE SCOTTISH ORIENTAL SMALLER COMPANIES TRUSTPLC	1.38
JP MORGAN INDIAN INVESTMENT COMPANY (MAURITIUS) LIMITED	1.31
CAISSE DE DEPOT ET PLACEMENT DU QUEBEC-FIRST STATE INVESTMENTS INTERNA	1.22
LIFE INSURANCE CORPORATION OF INDIA	1.59
HDFC STANDARD LIFE INSURANCE COMPANY LIMITED	1.05
BAJAJ HOLDINGS AND INVESTMENT LTD	1.3

Source: Company, NSPL Research

ANALYST
Vaibhav Chowdhry, vaibhav.chowdhry@nalandasecurities.com, +91-22-6281-9649
ASSOCIATE
Nirmal Gopi, nirmal.gopi@nalandasecurities.com, +91-22-6281-9648

NALANDA SECURITIES PRIVATE LIMITED
310-311 Hubtown Solaris, NS Phadke Marg, Opp Teli Gali, Andheri East, Mumbai 69
+91-22-6281-9600 | research@nalandasecurities.com | www.nalandasecurities.com

Profit & Loss (INR Crores)	FY16	FY17	FY18	FY19E	FY20E
Net sales	**1648.4**	**1717.5**	**1889.5**	**2013.0**	**2179.9**
COGS	333.4	360.7	370.3	378.0	407.2
Employee Expenses	105.0	114.8	120.2	125.0	128.7
Power and Fuel Cost	452.0	429.3	443.9	463.0	487.7
Selling and Distribution Expenses	232.4	239.2	283.6	296.7	317.5
Other Expenses	294.3	294.7	308.2	326.1	353.1
EBITDA	**231.2**	**278.9**	**363.4**	**424.3**	**485.6**
D&A	99.8	99.2	101.2	103.0	104.7
Other income	22.4	23.7	19.9	21.2	23.0
EBIT	**153.8**	**203.4**	**282.1**	**342.5**	**403.9**
Interest Expense	108.5	89.8	74.5	44.5	27.1
PBT	**45.4**	**113.6**	**207.7**	**298.0**	**376.8**
Tax	10.0	37.4	74.5	90.2	114.1
PAT	**35.4**	**76.2**	**133.2**	**207.8**	**262.7**
EPS in INR	1.6	3.4	5.9	9.2	11.6

Balance Sheet (INR Crores)	FY16	FY17	FY18	FY19E	FY20E
Share Capital	226.6	226.6	226.6	226.6	226.6
Reserves & Surplus	668.3	740.3	819.8	923.7	1055.1
Shareholder's Funds	**894.9**	**967.0**	**1046.4**	**1150.3**	**1281.7**
Long term borrowings	670.9	575.2	469.2	319.2	194.2
Long term provisions	19.2	21.7	19.6	22.1	24.0
Deferred tax liabilities	41.9	53.0	83.5	83.5	83.5
Other non-current liabilities	12.5	32.8	51.2	51.2	51.2
Total Non-current liabilities	**747.5**	**688.9**	**628.9**	**481.4**	**358.3**
Short term borrowings	70.0	0.0	0.0	0.0	0.0
Trade payables	186.0	191.4	226.6	233.0	251.0
Other current liabilities	509.0	344.3	412.0	402.6	436.0
Short-term provisions	207.2	216.1	218.9	241.6	261.6
Current liabilities	**972.2**	**751.8**	**857.5**	**877.2**	**948.6**
Total Equity and Liabilities	**2614.6**	**2407.6**	**2532.8**	**2508.9**	**2588.5**
Fixed Assets	1897.5	1874.4	1804.4	1736.4	1666.7
Capital work in progress	56.1	6.3	8.1	8.9	8.2
Intangible Assets	3.7	2.7	1.7	1.7	1.7
Long Term Loans and Advances	63.1	27.3	28.5	30.2	32.7
Other Non Current Assets	32.5	31.1	29.4	29.4	29.4
Total Non-current Assets	**2052.9**	**1941.8**	**1872.0**	**1806.6**	**1738.8**
Inventories	178.2	139.6	126.9	124.3	133.9
Trade receivables	25.8	12.6	18.8	22.1	23.9
Cash and cash equivalents	7.8	14.2	212.4	223.9	332.4
Short term loans & advances	85.6	29.6	12.6	30.2	32.7
Other Current Assets	264.4	269.9	290.1	301.9	327.0
Total Current Assets	**561.7**	**465.9**	**660.8**	**702.3**	**849.8**
Total Assets	**2614.6**	**2407.6**	**2532.8**	**2508.9**	**2588.5**

Source: NSPL Research

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Cash Flow (INR Crores)	FY16	FY17	FY18	FY19E	FY20E
PBT	45.4	113.6	207.7	298.0	376.8
Depreciation	99.8	99.2	101.2	103.0	104.7
Operating profit after working capital changes	39.9	104.4	59.0	-10.4	32.5
Less income tax paid	-13.3	-24.5	-44.1	-90.2	-114.1
Cash Flow from Operating	**256.9**	**361.4**	**384.6**	**300.4**	**399.9**
(Incr)/ Decr in Gross PP&E	-124.9	-47.4	-23.2	-35.0	-35.0
Cash Flow from Investing	**-108.0**	**-40.2**	**-13.5**	**-35.0**	**-35.0**
(Decr)/Incr in Debt	-172.4	-221.5	-42.7	-150.0	-125.0
Finance costs	0.0	0.0	-54.3	-92.6	-115.2
Cash Flow from Financing	**-287.5**	**-314.7**	**-172.9**	**-253.9**	**-256.4**
Incr/(Decr) in Balance Sheet Cash	**-138.5**	**6.4**	**198.2**	**11.5**	**108.5**
Cash at the Start of the Year	146.3	7.8	14.2	212.4	223.9
Cash at the End of the Year	**7.8**	**14.2**	**212.4**	**223.9**	**332.4**

RATIOS	FY16	FY17	FY18	FY19E	FY20E
Particulars					
EBITDA/ton	520.3	623.3	780.9	872.9	941.1
Volume (mn tons)	4.44	4.47	4.65	4.86	5.16
Growth (%)					
Total Sales	7.5%	-21.9%	10.0%	6.5%	8.3%
EBITDA	-4.3%	-9.5%	30.3%	16.8%	14.5%
PAT	-20.8%	61.5%	74.8%	56.0%	26.4%
Profitability (%)					
EBITDA Margin	14.0%	16.2%	19.2%	21.1%	22.3%
NPM	2.1%	4.4%	7.0%	10.3%	12.1%
ROE	4.0%	7.9%	12.7%	18.1%	20.5%
ROCE	8.0%	12.2%	16.9%	21.7%	26.2%
Per share data					
EPS	1.6	3.4	5.9	9.2	11.6
BPS	39.5	42.7	46.2	50.8	56.6
Valuations (x)					
P/E (x)	46.5	35.0	23.8	17.7	14.0
EV/EBITDA (x)	11.6	12.0	9.8	8.9	7.3
EV/Ton ($)	76.3	95.7	101.8	107.3	95.9
Net Debt/EBITDA	4.5	2.5	1.1	0.2	-0.3
Net Debt/Equity	1.2	0.7	0.4	0.1	-0.1
Interest Coverage	1.4	2.3	3.8	7.7	14.9

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HeidelbergCement India				Rating Legend	
Date	CMP (INR)	Target Price (INR)	Recommendation	**Strong Buy**	**More than 15%**
August 30, 2018	162	194	Strong Buy	**Buy**	**5% - 15%**
				Hold	**0 – 5%**
				Reduce	**-5% - 0**
				Sell	**Less than -5%**

Following table contains the disclosure of interest in order to adhere to utmost transparency in the matter;

Disclosure of Interest Statement	
Details of Nalanda Securities Pvt. Limited (NSPL)	• NSPL is a Stock Broker registered with BSE, NSE and MCX - SX in all the major segments viz. Cash, F & O and CDS segments. Further, NSPL is a Registered Portfolio Manager and is registered with SEBI • **SEBI Registration Number: INH000004617**
Details of Disciplinary History of NSPL	No disciplinary action is / was running / initiated against NSPL
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Has research analyst or NSPL engaged in market making activity for the subject company	NO
Other disclosures	NO

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