

Date: 21/12/2021

Recommended Price: 213-217 • Target: 240-250 • Stoploss: 198

Time Frame: 6 months

Heidelberg Cement India Limited



Technical Outlook

- The stock on a weekly scale is placed close to the previous breakout point and multiple support zones as highlighted in the above chart. Moreover, the stock is placed close its 100 WSMA, which coincides with the support zone.
- On a weekly scale, the RSI is placed close to the oversold zone and the stochastic oscillator is on the verge of forming a bullish crossover from the oversold zone.
- Based on the above technical setup, **we recommend buying Heidelberg in the range of 213-217 with a stop loss of 198 on a closing basis for a medium-term target of 240-250.**

Fundamental Rationale

- Heidelberg Cement India, part of global major Heidelberg Cement Group, is a play on fast growing, better priced and highly consolidated Central India. Low per capita cement consumption in Central India (at <200kgs) vs all India average (~250kgs) augurs well for strong growth opportunity over medium term.
- Heidelberg cement has strong presence (9% Market Share) in central India. Central Indian market consists of high demand bearing regions like Madhya Pradesh & Uttar Pradesh. Some of the key infrastructure projects in the region such as metro projects in Bhopal and Indore, smart city-related development in Madhya Pradesh (Bhopal, Indore and Jabalpur) and Uttar Pradesh (Lucknow), several road and highway projects, and waterway project across Varanasi-Haldia, construction of Ram temple and allied infrastructure etc will drive strong cement demand in the region.
- Heidelberg Cement's EBITDA/tonne has been on a positive trajectory over the last five years, benefitting from a favourable demand-supply situation in central India, aided by increased sales of premium cement (about 19% in FY21; the management aims to take it up to 25% in the next few years). The company also benefitted from cost-control initiatives driven by operating efficiencies; lead distances and power purchase cost per unit optimisation through the use of low-cost external sources/waste heat recovery/solar power which resulted in a stable cost/tonne.
- Heidelberg Cement has established a consistent track record of financial performance and growth. In the last five years (FY16-21), The company's and EBITDA/tonne has grown at a CAGR of 19%. Moreover, Company has delivered good profit growth of 55.05% CAGR during the same period. Company has reduced debt. Its debt to equity ratio has improved from 1.16 in FY16 to 0.20 in FY21. Stock is providing a good dividend yield of 3.72%.

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Asit C. Mehta

INVESTMENT INTERMEDIATES LTD.

Retail Research Desk:

Email: retailresearch@acm.co.in

Research Analyst Registration Number:

INH000002483

CIN: U65990MH1993PLC075388

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