**Heidelberg Cement** (concall Q1 & Q2 2024)

**Management**

* Signed a PPA for 8MW wind & 8MW solar\_\_\_2.16
* Repaid a interest free loan of 629 mil\_\_\_2.46
* Cash & bank Balance exceed the borrowing & continue to operate in -ve working capital\_\_2.51
* dividend of Rs.8 per share\_\_3.48
* ECG: co2 footprint of 56kg per ton\_\_3.21
* 1/3rd of our total energy consumption is from green power\_\_\_3.50
* target to reach more than 40% green power by FY25\_\_\_4.17
* Increase in profitability is driven by decrease in input cost & obviously decrease in power & fuel prices we are not able to get full benefit out of it as there is also a corresponding decrease in prices in the market\_\_\_4.42
* added a new product which has been accepted very well in the market and we are up to more than 8000ton of sales in the market this will result in premiumization of our brands\_\_5.24
* (Blended Cement) Power & power Shield (new added product) comprise 82% of their sales\_\_\_6.23

**Q&A**

**Q.** Opportunity so wants to bit understand more on the clinker debottlenecking what sort of debottlenecking you are doing you also have some 2.3 million T debottlenecking on cement and finally on the Gujarat expansion? \_\_\_9.51

**Ans.** The Project is well on the way & benefits can be expected from the first quarter of FY25 and it will result in additional volume of 200000 tons/annum\_\_10.23

Gujrat expansion is still in governments court we can't move till we receive the EC (Environmental Clearance) \_\_\_11.13

**Q.** what is the fuel cost in quarter 4 & hat is the outlook on the upcoming quarter on Fuel Cost? \_\_\_11.40

**Ans.** Fuel cost is almost down by 30%, 1.8 Rs/kg-calorie combined fuel cost

**Q.** How is the plans on merger of zuari cement with Heidelberg, when should we expect? \_\_12.54

**Ans.** not finding solution w.r.t stamp duty & additional royalty (regulatory parts), finding out how much we payout \_\_\_13.20

**Q.** to find some solution to start the process so ideally the right way to see is possibly nothing we should hear on FY 25 possibly FY 26 might be the year we should look for merger\_\_13.34

**Ans**. you appreciate that this is the kind of merger where it covers around 8 to 10 states in India and as well as the transfer of the mining permits and the free land and we have seen that after filing the merger application it takes around months by the NC and thereafter in execution of transfer of the all the property name of the uh the listed company so you right that even if you start the process in the fiscal year 25 uh it is not going to complete it takes time maybe 26 or 27 okay got it\_\_\_13.42

**Q.** **Any other area of Cost reduction**? \_\_18.10

**Ans.** Investing on alternative fuel project & the third phase is going on, slightly reducing of variable cost as well as reducing our carbon content\_\_18.41

we have seen a drop of around 6 Rs. per ton compared to last quarter\_\_19.09

**Q.** **Capex projection for FY25**? \_\_\_20.02

**Ans.** about 100-125cr including 50-55Cr in improvement project. \_\_\_20.46

Q. What kind of volume growth is excepted? \_\_\_21.18

Ans. It should be in line with the current industry growth of 6% to 7% as the debottlenecking project has not started yet. \_\_\_21.52

**Q. Lead Dist**.? \_\_\_21.58

**Ans.**375 km\_\_22.06

**Q.** How much was a coal share and a petrol share for this quarter?

**Ans.** 30% coal, 10% AFR and 60% pet Coke

**Q.** new value-added product how much is it priced higher than other product & how much share of volume we can expect from it in FY25? \_\_\_23.13

**Ans.** In terms of pricing it is 50-60 more per bag. current we are at 8000 ton per month & by FY25 we will be clocking about 25000 tons \_\_\_23.37

-most of the geographical mix is coming from central India that is UP & MP.

-our ambition is to reach 45% in next 2 years with this.

**Annual Report Overview**

* The parent MNC (Heidelberg Cement AG) is one of the top four cement companies by market share globally with a presence in over 60 countries. Heidelberg Cement entered the Indian market in 2006.
* The company has four cement plants, four Grinding plants, and one cement terminal. The company’s manufacturing locations are mostly in Central India (UP, MP, Karnataka, and Telangana).
* 2017: the company installed India’s longest overland conveyor belt to transport limestone from its mines to the facility at Narsingh, Damoh. It significantly reduced transport costs and time.
* **Debt**: Since 2018, the company has been reducing its debt regularly.(from 4692.3mil to 556.8 mil)
* In 2016 It installed a waste heat recovery plant at the same facility in MP and made a 25 years’
* Heidelberg cement has entered in several power Purchase agreement(PPA) over the decade like
  + solar power agreement for another facility in Karnataka
  + AFR Project in Damoh and Solar Power in Jhansi in 2021
  + 5.5 MW Solar Power Project in Damoh Mines Area in 2022
  + in 2024 they signed a PPA for 8MW wind & 8MW solar (Narsingarh & Imlai)

these have lead to saving significantly on power cost & they have currently using 1/3rd of there total energy from green power with a target to reach 40% by FY25.

* In December FY23, launched a new product line of cement which is priced 50-60Rs higher then normal cement which accepted by the market and contributing in large amount towards their profitability(sales of about 8000 tonne/month since launch growing rapidly By the end of 2025, we should be clocking anywhere between 20,000 to 25,000) tons
* Heidelberg is trying to Preimmunize their new product line(Power Shield)
* for making cement they import Gypsum which costs them around 2300USD (import tax 2.5%)
* trade mix, 45% road, 55% rail

**Shareholding Pattern:**

* the shareholding pattern is unchanged for the past 5 years i.e.30.61%(Public holding) & 69.39%(Promoter)
* Mutal funds holding has increased from 3.77% in FY18 to 7.04% in FY23
* public holding have increased from 11.85% in FY18 to FY23

**Key Observations**

* major capex on alternate fuel project around 50-55cr(Q1-2024) & a total of around 100-120Cr in Fiscal year
* if the debottlenecking project gets out of govt. court(Environmental clearence) they will have an increase capacity of about 0.2MT.
* In talks with merger with zauri cement can can be expected by FY26 & FY27.