

Lack of immediate expansion a concern

- HEIM's Q2FY26 results were broadly in line, however, APAT came below our estimates.
- We expect Revenue/EBITDA/APAT CAGR of 6.5%/20.1%/32.0% over FY25-28E, led by 7.5%/5.0%/5.0% volume growth and 1.0%/1.0%/0% realization growth in FY26E/FY27E/FY28E.
- We maintain our FY26E/FY27E EBITDA estimates and introduce FY28E. Anticipating subdued volume growth without any major expansion plans over FY25-28E, we maintain our 'SELL' rating with revised TP of Rs165 (7.0x FY28E EV/EBITDA + 50% FY28E CWIP).

Near-term expansion missing

HEIM has built a strong retail franchise in the lucrative Central region and is trying to improve its operating efficiencies. As per Q4FY25 call, the company has acquired a new mine in MP and is currently undertaking a study for expansion; the site is yet to be identified. HEIM also plans to expand through greenfield in Gujarat; expected to be commissioned after 3 years post-EC. The clinker/cement debottlenecking of 0.13mtpa/0.2mtpa was expected to be complete by Jun'25 (not yet announced). Lack of capacity expansion has led to limited headroom for volume growth.

EBITDA/tn +40.6% YoY/-24.2% QoQ

In line volume (+9.2% YoY/-14.3% QoQ to 1.1mt), in line realization/tn (+1.5% YoY/-0.1% QoQ to Rs4,760) and in line opex/tn (-1.9% YoY/+4.1% QoQ to Rs4,224) resulted in an EBITDA/tn of Rs535.

Continues to remain Net cash

HEIM's net cash decreased by Rs1.79 bn QoQ in Q2FY26, reaching Rs3.2 bn in Q2FY26 vs. Rs5.0 bn/Rs4.1 bn in Q1FY26/FY25. Net Debt/EBITDA stood at -1.2x (Q2FY26) vs. -2.0 (Q1FY26) vs. -1.7x (FY25).

Key Risk: Acquisition of HEIM at a higher multiple

Key Data

Nifty	25,936
Equity / FV	Rs 2,266mn / Rs 10
Market Cap	Rs 45bn
	USD 514.0mn
52-Week High/Low	Rs 243/ 185
Avg. Volume (no)	1,63,063
Bloom Code	HEIM IN

	Current	Previous
Rating	SELL	SELL
Target Price	165	165

Change in Estimates

(Rs.bn)	Current		Chg (%) /bps	
	FY26E	FY27E	FY26E	FY27E
Revenue	23.3	24.7	0.0	0.0
EBITDA	3.3	3.8	(0.8)	(0.6)
EBITDA (%)	14.1	15.5	(11)	(10)
APAT	1.8	2.2	(1.0)	(0.8)
EPS (Rs)	7.9	9.7	(1.0)	(0.8)

Valuation (x)

	FY26E	FY27E	FY28E
P/E	25.3	20.6	18.5
EV/EBITDA	12.3	10.3	9.1
ROE (%)	12.8	15.3	16.5
RoACE (%)	12.2	14.5	15.7

Q2FY26 Result (Rs Mn)

Particulars	Q2FY26	YoY (%)	QoQ (%)
Revenue	5,117	10.9	(14.4)
Total Expense	4,541	7.1	(10.8)
EBITDA	575	53.6	(35.0)
Depreciation	270	1.9	(0.4)
EBIT	306	178.2	(50.3)
Other Income	90	(29.8)	(5.1)
Interest	61	(29.0)	(3.8)
EBT	335	119.8	(48.2)
Tax	85	112.4	(47.8)
RPAT	249	122.4	(48.3)
APAT	249	122.4	(48.3)
		(bps)	(bps)
Gross Margin	39.7	180	(126)
EBITDA (%)	11.2	313	(357)
NPM (%)	4.9	244	(320)
Tax Rate (%)	25.5	(88)	19
EBIT (%)	6.0	359	(431)

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Exhibit 1: Actual V/s Dolat estimates (Rs mn)

Particulars (Rs mn)	Actual	Dolat Est.	% Variance	Comments
Revenue	5,117	5,111	0.1	+0.2%/-0.1% volume/ realization vs. estimates
EBITDA	575	574	0.3	-0.1%/-0.1% realization/opex vs. estimates
EBITDA margin (%)	11.2	11.2	2 bps	-
APAT	249	263	(5.3)	Poor operating performance

Source: Company, Dolat Capital

Exhibit 2: Change in estimates

Particulars (Rs mn)	FY26E			FY27E			FY28E
	New	Old	Chg (%)	New	Old	Chg (%)	Introduced
Net revenues	23,331	23,331	0.0	24,743	24,743	0.0	25,980
EBIDTA	3,283	3,308	(0.8)	3,823	3,847	(0.6)	4,148
EBIDTA margin (%)	14.1	14.2	(11 bps)	15.5	15.5	(10 bps)	16.0
Adj. Net Profit	1,794	1,812	(1.0)	2,199	2,217	(0.8)	2,455
EPS (Rs)	7.9	8.0	(1.0)	9.7	9.8	(0.8)	10.8

Source: Company, Dolat Capital

We broadly maintain our revenue/EBITDA/APAT estimates for FY26/FY27E and introduced FY28E.

Exhibit 3: Volume, Realization & Cost/tn Analysis

Particulars (Rs)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)
Volume (MT)	1.1	1.0	9.2	1.3	(14.3)	2.3	2.1	10.1
Realization/tn (Rs)	4,760	4,689	1.5	4,765	(0.1)	4,763	4,698	1.4
EBITDA/tn (Rs)	535	381	40.6	706	(24.2)	627	546	14.8
Cost/tn (Rs)	4,224	4,308	(1.9)	4,059	4.1	4,135	4,152	(0.4)
Raw Material Cost/tn (Rs)	804	869	(7.6)	844	(4.8)	825	816	1.1
Employee Expenses/tn (Rs)	385	384	0.3	315	22.4	347	365	(5.0)
Power and Fuels/tn (Rs)	1,379	1,351	2.1	1,235	11.6	1,302	1,311	(0.7)
Freight Expenses/tn (Rs)	685	690	(0.7)	732	(6.4)	711	708	0.4
Other expenses/tn (Rs)	971	1,015	(4.3)	933	4.1	951	952	(0.2)

Source: Company, Dolat Capital

Exhibit 4: % of Revenue

Particulars	Q2FY26	Q2FY25	Bps	Q1FY26	QoQ (%)	H1FY26	H1FY25	Bps
Raw Material Cost	16.9	18.5	(165)	17.7	(83)	17.3	17.4	(4)
Employee Expenses	8.1	8.2	(10)	6.6	149	7.3	7.8	(49)
Power and Fuels	29.0	28.8	18	25.9	305	27.3	27.9	(56)
Freight Expenses	14.4	14.7	(32)	15.4	(96)	14.9	15.1	(14)
Other expenses	20.4	21.6	(123)	19.6	82	20.0	20.3	(31)

Source: Company, Dolat Capital

Exhibit 5: Income Statement (Standalone)

Particulars (Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)
Total Revenue	5,117	4,614	10.9	5,975	(14.4)	11,092	9,936	11.6
Raw Material Cost	864	855	1.0	1,058	(18.4)	1,922	1,726	11.4
Employee Expenses	414	378	9.6	394	4.9	808	772	4.7
Power and Fuel	1,483	1,329	11.6	1,549	(4.3)	3,032	2,772	9.4
Freight Cost	737	679	8.5	918	(19.7)	1,655	1,497	10.6
Other expenses	1,044	998	4.6	1,170	(10.8)	2,214	2,014	9.9
Total Expenditure	4,541	4,240	7.1	5,090	(10.8)	9,632	8,781	9.7
PBIDT (Excl. O.I.)	575	375	53.6	885	(35.0)	1,461	1,155	26.5
Other Income	90	128	(29.8)	94	(5.1)	184	249	(26.1)
Depreciation	270	265	1.9	271	(0.4)	540	546	(1.1)
EBIT	395	238	66.4	709	(44.2)	1,104	858	28.7
Interest	61	85	(29.0)	63	(3.8)	124	171	(27.7)
PBT (Excl. Exceptional Items)	335	152	119.8	646	(48.2)	981	687	42.7
Exceptional Items	0	0	-	0	-	0	0	-
EBT	335	152	119.8	646	(48.2)	981	687	42.7
Tax	85	40	112.4	164	(47.8)	249	176	41.6
RPAT	249	112	122.4	482	(48.3)	732	511	43.1
Adjustments	0	0	-	0	-	0	0	-
APAT	249	112	122.4	482	(48.3)	732	511	43.1
Adj. EPS (Rs)	1.1	0.5	122.4	2.1	(48.3)	3.2	2.3	43.1
			bps		Bps			bps
EBIDTA Margin (Excl. O.I.)	11.2	8.1	313	14.8	(357)	13.2	11.6	154
NPM (%)	4.9	2.4	244	8.1	(320)	6.6	5.1	145
Tax Rate (%)	25.5	26.4	(88)	25.3	19	25.4	25.6	(21)

Source: Company, Dolat Capital

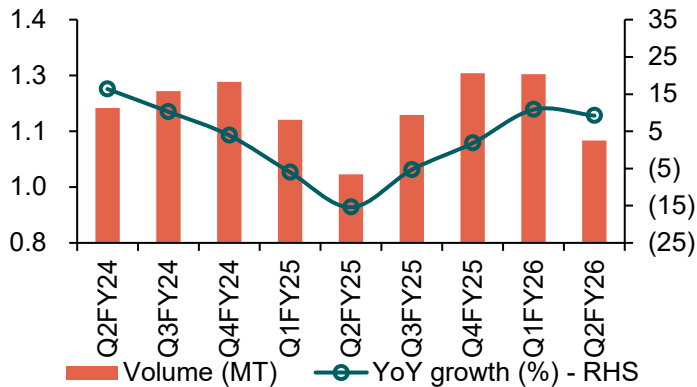
Exhibit 6: Valuation

Particulars	(Rs mn)
Assumed EV/EBITDA multiple (x)	7.0
EBITDA (FY28E)	4,148
EV	29,038
Less: Net Debt (FY28E)	(7,645)
Mcap	36,683
Shares o/s (mn)	227
(a) Value/share (Rs)	163
50% of FY28E Capital WIP	452
(b) Value/share (Rs)	2
Target price (Rs) (a+b)	165
CMP (Rs.)	200
Up/(down)side (%)	(17.7)

Source: Company, Dolat Capital

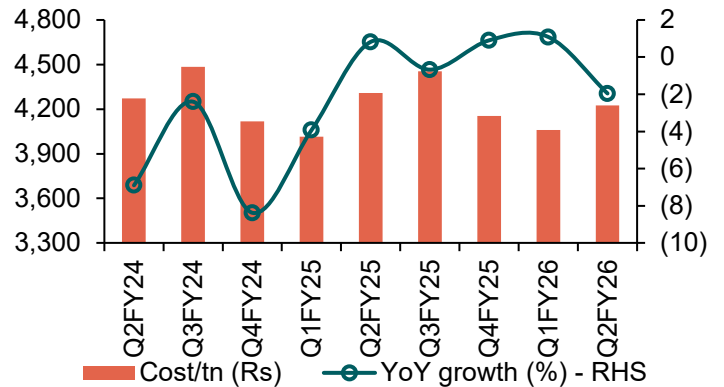
Story in charts

Exhibit 7: Volume trend (MT)



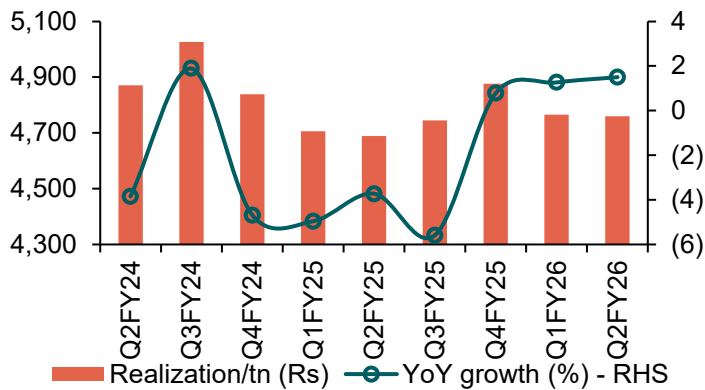
Source: Company, Dolat Capital

Exhibit 8: Cost/tn trend (Rs)



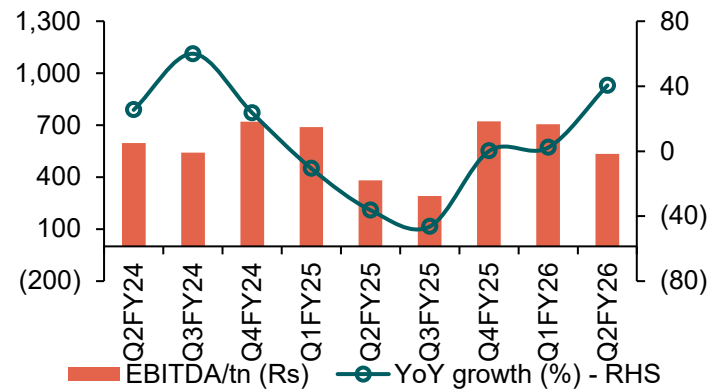
Source: Company, Dolat Capital

Exhibit 9: Realization/tn trend (Rs)



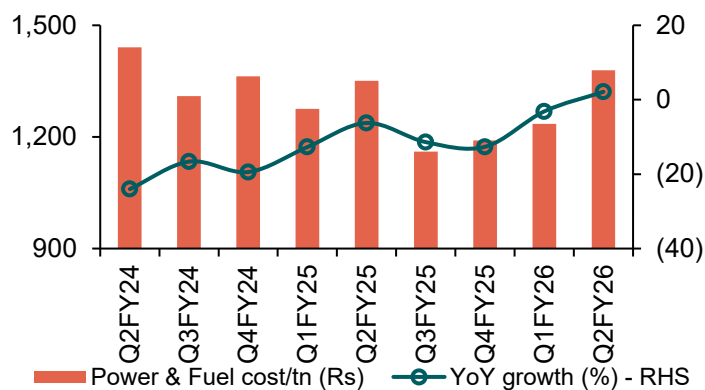
Source: Company, Dolat Capital

Exhibit 10: EBITDA/tn trend (Rs)



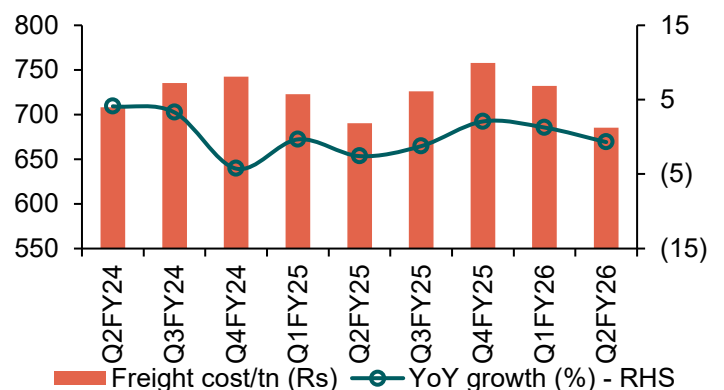
Source: Company, Dolat Capital

Exhibit 11: Power & fuel cost/tn trend (Rs)



Source: Company, Dolat Capital

Exhibit 12: Freight cost/tn trend (Rs)



Source: Company, Dolat Capital

Financial Performance

Profit and Loss Account

(Rs Mn)	FY25A	FY26E	FY27E	FY28E
Revenue	21,489	23,331	24,743	25,980
Total Expense	19,095	20,048	20,920	21,832
COGS	13,293	13,926	14,499	15,097
Employees Cost	1,570	1,664	1,763	1,869
Other expenses	4,232	4,458	4,658	4,866
EBIDTA	2,394	3,283	3,823	4,148
Depreciation	1,098	1,146	1,184	1,193
EBIT	1,296	2,137	2,639	2,955
Interest	293	230	220	220
Other Income	455	490	520	546
Exc. / E.O. items	0	0	0	0
EBT	1,458	2,397	2,939	3,280
Tax	391	603	740	826
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
RPAT	1,068	1,794	2,199	2,455
Adjustments	0	0	0	0
APAT	1,068	1,794	2,199	2,455

Balance Sheet

(Rs Mn)	FY25A	FY26E	FY27E	FY28E
Sources of Funds				
Equity Capital	2,266	2,266	2,266	2,266
Minority Interest	0	0	0	0
Reserves & Surplus	11,686	11,894	12,280	12,922
Net Worth	13,952	14,160	14,546	15,188
Total Debt	649	413	263	113
Net Deferred Tax Liability	1,971	1,971	1,971	1,971
Total Capital Employed	16,572	16,544	16,781	17,272

Applications of Funds

Net Block	13,462	13,717	12,733	11,740
CWIP	1,104	304	604	904
Investments	205	205	205	205
Current Assets, Loans & Advances	10,649	11,437	12,895	14,552
Current Investments	0	0	0	0
Inventories	1,710	1,790	1,898	1,993
Receivables	572	575	610	641
Cash and Bank Balances	4,782	5,306	6,411	7,758
Loans and Advances	0	0	0	0
Other Current Assets	3,585	3,766	3,976	4,161
Less: Current Liabilities & Provisions	8,848	9,118	9,656	10,128
Payables	2,964	3,068	3,254	3,417
Other Current Liabilities	5,884	6,049	6,402	6,712
<i>sub total</i>				
Net Current Assets	1,801	2,319	3,239	4,424
Total Assets	16,572	16,544	16,781	17,272

E – Estimates

Important Ratios

Particulars	FY25A	FY26E	FY27E	FY28E
(A) Margins (%)				
Gross Profit Margin	38.1	40.3	41.4	41.9
EBIDTA Margin	11.1	14.1	15.5	16.0
EBIT Margin	6.0	9.2	10.7	11.4
Tax rate	26.8	25.2	25.2	25.2
Net Profit Margin	5.0	7.7	8.9	9.4
(B) As Percentage of Net Sales (%)				
COGS	61.9	59.7	58.6	58.1
Employee	7.3	7.1	7.1	7.2
Other	19.7	19.1	18.8	18.7
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	4.4	9.3	12.0	13.4
Inventory days	29	28	28	28
Debtors days	10	9	9	9
Average Cost of Debt	30.8	43.3	65.1	116.9
Payable days	50	48	48	48
Working Capital days	31	36	48	62
FA T/O	1.6	1.7	1.9	2.2
(D) Measures of Investment				
AEPS (Rs)	4.7	7.9	9.7	10.8
CEPS (Rs)	9.6	13.0	14.9	16.1
DPS (Rs)	8.0	7.0	8.0	8.0
Dividend Payout (%)	169.8	88.4	82.4	73.8
BVPS (Rs)	61.6	62.5	64.2	67.0
RoANW (%)	7.5	12.8	15.3	16.5
RoACE (%)	7.9	12.2	14.5	15.7
RoAIC (%)	10.7	18.6	24.4	29.7
(E) Valuation Ratios				
CMP (Rs)	200	200	200	200
Mcap (Rs Mn)	45,377	45,377	45,377	45,377
EV	41,244	40,485	39,230	37,732
MCap/ Sales	2.1	1.9	1.8	1.7
EV/Sales	1.9	1.7	1.6	1.5
P/E	42.5	25.3	20.6	18.5
EV/EBITDA	17.2	12.3	10.3	9.1
P/BV	3.3	3.2	3.1	3.0
Dividend Yield (%)	4.0	3.5	4.0	4.0
(F) Growth Rate (%)				
Revenue	(9.2)	8.6	6.1	5.0
EBITDA	(24.4)	37.1	16.4	8.5
EBIT	(37.4)	64.8	23.5	12.0
PBT	(35.7)	64.4	22.6	11.6
APAT	(36.4)	68.0	22.6	11.6
EPS	(36.4)	68.0	22.6	11.6

E – Estimates

Cash Flow

Particulars	FY25A	FY26E	FY27E	FY28E
Profit before tax	1,458	2,397	2,939	3,280
Depreciation & w.o.	1,098	1,146	1,184	1,193
Net Interest Exp	(72)	230	220	220
Direct taxes paid	(489)	(603)	(740)	(826)
Change in Working Capital	738	6	185	162
Non Cash	(86)	0	0	0
(A) CF from Operating Activities	2,646	3,176	3,788	4,030
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(1,094)	(600)	(500)	(500)
Free Cash Flow	1,553	2,576	3,288	3,530
(Inc.)/ Dec. in Investments	(64)	0	0	0
Other	458	0	0	0
(B) CF from Investing Activities	(699)	(600)	(500)	(500)
Issue of Equity/ Preference	0	0	0	0
Inc./(Dec.) in Debt	(694)	(236)	(150)	(150)
Interest exp net	(171)	(230)	(220)	(220)
Dividend Paid (Incl. Tax)	(1,806)	(1,586)	(1,813)	(1,813)
Other	(42)	0	0	0
(C) CF from Financing	(2,713)	(2,052)	(2,183)	(2,183)
Net Change in Cash	(766)	524	1,105	1,348
Opening Cash balances	5,548	4,782	5,306	6,411
Closing Cash balances	4,782	5,306	6,411	7,758

E – Estimates

Notes

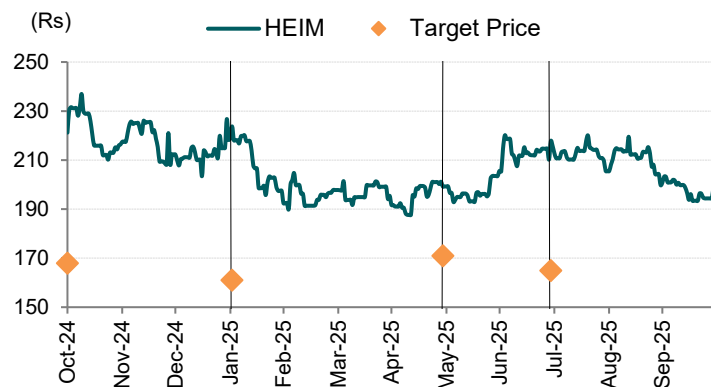
Stock Info and Rating History

Price Performance

Particulars	1M	3M	12M
Absolute (%)	0	(8)	(9)
Rel to NIFTY (%)	(5)	(13)	(15)

Shareholding Pattern

Particulars	Mar'25	Jun'25	Sep'25
Promoters	69.4	69.4	69.4
MF/Banks/FIs	13.3	14.0	14.1
FIIIs	2.3	1.4	1.4
Public / Others	15.1	15.3	15.1



Month	Rating	TP (Rs.)	Price (Rs.)
Oct-24	SELL	168	221
Jan-25	SELL	161	224
May-25	SELL	171	199
Jul-25	SELL	165	218

*Price as on recommendation date

Notes

Dolat Rating Matrix

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

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