Internship Report On

An Investment Decision of Heidelberg Materials Bangladesh PLC's: A Comprehensive Stock Analysis and Valuation

By

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An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of
Bachelor of Business Administration

BRAC Business School

Brac University

August 2025

Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate reference.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

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Assistant Professor, BRAC Business School

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Letter of Transmittal

Sayla Sowat Siddiqui, PhD

Assistant Professor,

Brac Business School

BRAC University

KHA 224, Progati Sarani, Merul Badda, Dhaka 1212.

Subject: Submission of Internship Report

Dear Ma'am,

I hereby pleased to submit the internship report on "An Investment Decision of Heidelberg Materials Bangladesh PLC's: A Comprehensive Stock Analysis and Valuation" It was a great opportunity for me to work on this report. I tried to put my best effort to prepare this report and use essential qualitative and quantitative data from authentic sources to state my point. Moreover, I provided a neutral and rational analysis for decision making in this report. I apologize for any mistake that I have made you may find in this report.

I hope this report meets all the requirements that are needed.

Sincerely yours,

____

Rufaida Nurain Saiba

21104049

BRAC Business School

BRAC University

Date: August 2025

Acknowledgement

In the name of the Almighty, I am pleased that Allah Subhanahu wa Ta'ala provides me the strength and patience to complete this report. I am truly grateful to both my on-site supervisor Thanveer bhaiya and institutional supervisor Sayla ma'am for constant support and trust on me. My on-site supervisor Thanveer bhaiya provided guidance and constant learning opportunity for learning new things. The priceless experience, feedback, new learning opportunities were truly insightful and those encouraged me to pursue my career in the investment sector.

I hereby truly thankful to my institutional supervisor Sayla ma'am for providing precious time and effort to complete this report efficiently. The guidance of Sayla ma'am shaped my report into a professional and intellectual form.

Finally, I would thank the research and decision-making team of Shanta Securities Limited for the cooperation throughout my internship journey which made my journey easier. The flexible workplace and collaboration opportunity made my journey exceptional and valuable.

Executive Summary

The internship report consists of mainly three chapters and multiple sub-chapters. This chapter contains overall experience of internship, company overview and a performance evaluation and stock valuation of Heidelberg Materials Bangladesh. The first chapter illustrates the overall hand-to-hand experience and details of the internship on Shanta Security Limited. For instance, the duties that I have done, the learnings scope, my contribution and challenges. The second chapter is about the basic details of company, the managerial practice, marketing strategies, operations of the organization. This chapter shows the overall scenario of Shanta Security Limited. The Last Chapter is about Heidelberg Materials Bangladesh's performance analysis, financial comparative analysis, stock analysis and discounted cash flow, p/b, market multiplier valuation of its stock to identify intrinsic value. Moreover, the chapter shows true picture to an investor for investment decision and future potential of the company. Alongside, the chapter shows an in-depth economical and industrial analysis of the company to analyze the big picture. Lastly, this chapter shows the investment positives and risks to taking rational decisions while investing.

Keywords: Cement Industry, Urbanization, Forecast, Valuation, Historical Performance

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List of Abbreviation

NAV	Net Asset Value
EPS	Earning Per Share
SSL	Shanta Securities Limited
DSE	Dhaka Stock Exchange
CFA	Charter financial analyst
BO	Beneficiary ownership
RM	Relationship manager
PLC	Public Limited Company
USP	Unique Selling Proposition
DCF	Discounted Cash Flow
P/B	Price-to-Book value
P/E	Price-to-Earning
GNI	Gross National Income
BVPS	Book Value Per Share
NPAT	Net Profit After Tax
EV	Enterprise Value
EBIT	Earnings Before Interest Tax
EBITDA	Earnings Before Interest Tax Depreciation and Amortization

ROA	Return on Asset
ROE	Return on Equity
CAPM	Capital Asset Pricing Model
WACC	Weighted Average Cost of Capital
CAGR	Compounded Annual Growth Rate
FDI	Foreign Direct Investment
APAC	Asia and Pacific

Chapter 1

1.1 Student Information:

Name	Rufaida Nurain Saiba
Student ID	21104049
Program	Bachelor of Business Administration
Major	Finance
Minor	Economics

1.2 Internship Information:

Company Name	Shanta Securities Limited
Period	3 months
Department	Research and Strategic Planning
Address	The Glass House (Level 10, Eastern Side), S.E (B)-2, 38, Gulshan Avenue, Gulshan-1, Dhaka-1212

1.2.2 Internship Company Supervisor's Information:

Name	Thanveer Mahamud Shakil, CFA
Position	Research Analyst

1.2.3 Job Scope

Being an intern in Shanta Securities Limited's research and strategic planning department, I had an opportunity to develop my understanding of the capital market of Bangladesh and the financial analysis of various companies from different industries. This internship opportunity provided me with real-life experience in the capital market. Also, helped to develop analytical skills on how a small movement in economy affects the financial market.

My key responsibilities were:

1. Update the change of mutual fund NAV, buying-selling price, every week in an allocated Excel sheet.
2. Identify weekly macroeconomics indicator changes from the Bangladesh Bank weekly report.
3. Daily market review from the Dhaka stock exchange and the international market.
4. List of earnings per share (EPS) declarations and board meeting announcements from different companies.
5. Develop content for the "Learn2Earn" learning platform from SSL.
6. Update the financial data of the DSE-listed company for the EasyX application.
7. Prepared the daily "Newsflash" for SSL clients.
8. Prepared a presentation of the perfume industry and its market size, and its potential for growth in Bangladesh for a potential client.
9. Translated the new rules and regulations of Bangladesh about mutual funds.
10. Assist senior financial analysts in preparing reports and research.

1.3 Internship Outcomes:

1.3.1 Student’s contribution to the company

In my 3-month internship journey with SSL, I was able to participate in various research projects from time to time. I completed my daily operating task on time and notified my supervisor in a timely manner. The daily task includes a daily market review, news flash, EPS, and a board meeting update for the organization. Moreover, SSL is working on a new idea where an investor who knows nothing about the company or the strategy of investment will be able to gain knowledge from specific content. I updated several topics for this learning platform, and I also provided ideas on how SSL can enrich the content about investment. Additionally, SSL launched the EasyX application, where investors can get a broad idea about the company and get access to various information on investment opportunities. Before launching it publicly, I was a part of the app testing team to identify the accuracy of data and examine the user experience. Lastly, as a part of the research team, I communicated with my team members to learn more about the office culture and build a strong collaborative office environment. I ensured my performance throughout my journey fulfilled the quality SSL needs to meet its mission for the future.

1.3.2 Benefits to the student

The internship opportunity in SSL assists me in gathering a real trading understanding and knowledge about the Dhaka Stock Exchange. While preparing valuation models, updating financial statements, and preparing reports provides a great opportunity to develop my critical thinking in the capital market. Moreover, working under CFA holders was a great experience as they introduced me to different financial markets, instruments, and their implications. Moreover, this opportunity provides me with great motivation to pursue the CFA in the future.

Internship in SSL increased my knowledge about stock brokerage houses and how investors deal with trading apps. I also learned technical skills to make the analysis easier to understand, which I learnt from my major courses.

1.3.3 Challenges

The work environment in SSL is flexible and cooperative, especially in the research and strategic planning team. When I joined, the days were in a rush period as they had to launch a new app, and they had to work on the backend data. At that time, I only got a very few minutes' break as we needed to complete our task as early as possible. Therefore, as I get less time to rest so the work initially became monotonous and I had back pain from working straight 8 hours. After a few weeks, the rush period is over, and I've got time to learn from my team. This experience shaped how I should maintain my professional life balance and maintain discipline in my work life.

1.3.4 Recommendations

Shanta Securities Limited assists me in developing my critical and analytical thinking. There are some recommendations that SSL can add for future interns. The presentation and site visit were useful for me to be more confident, so SSL could add more of this kind of activity, where interns could visit the site and present the idea. Moreover, feedback on overall performance can help interns to develop his/her performance for the future.

Chapter 2

2.1 Introduction

Shanta Securities Limited is a stock brokerage house that provides stock trade-transfer services, tax and wealth insurance certificates, online trading, margin facilities to investors like the public and institutions. It was founded in 2015, focusing on equities trading. SSL has strong teams that bring this brokerage house to the new heights it is today. Now, SSL has two renowned apps for one for trading and the new one for providing investor ideas about companies' financials, news, and economy. The brokerage house creates new investment strategies by prioritizing investors' preferences.

2.2 Overview of the Company

The stock brokerage house Shanta Securities Limited provides services to both individual and institutional investors, from cash investment to margin investment. SSL is in the top position, holding a brokerage house in Bangladesh with its innovative financial services and stock market investment solutions in DSE. Within a very short time, SSL has grown its position in the financial industry. The board of directors of the firm includes Khondoker Monir Uddin (Managing Director), and Anisul Haque (Director). Moreover, the key management body is Quazi Asaduzzaman (Chief Executive Officer), Golam Ahad Chowdhury (Executive Director), S.M. Habibur Rahman (Chief Operating Officer), Abdur Rahim (Head of Information Technology), Zobaer Ahmed (Head of Accounts and Admin), S M Galibur Rahman, CFA (Head of Research & Strategic Planning), and Mir Omar Naser (Head of Human Resources).

2.3 Management Practices

2.3.1 Leadership Strategies

At Shanta Securities Limited, the overall management body is flexible in making decisions. They generally take multiple opinions of different levels of employees to make any decision or bring changes to any decision. Therefore, they maintain mostly democratic leadership in the office. To bring up a new idea upper management of the company inspires every employee to do something innovative and extraordinary to sell their services at a unique point. For any problematic situation, everyone in the company brings the solution together with an engaging discussion. For instance, during my internship period, my senior asked for my suggestions for an app feature development, which illustrates how the company is open to new ideas for its development.

2.3.2. Human Resource Planning Process

2.3.2.1 Recruitment

Shanta Securities Limited follows an organized and fair recruitment policy. They post all their jobs on LinkedIn to pull up candidates CV then follow the traditional CV screening manually. The candidates had to go through a rigorous CV screening process. After that they select the most suitable candidates for interview. The interview is set by the HR department which manages an interview board for the interview. Lastly, they are on board the finalized candidate.

2.3.2.2 Employee Compensation

SSL maintains a flexible working environment for its employees. The main operation of the company is to help clients to trade and provide financial advice. To operate the overall operation clients, need to open a BO account from SSL. It’s a service-based company so employees get bonuses if they refer new clients to open BO account from their company. They also get yearly paid leave and maternity paid leave. Moreover, they get two festival bonuses yearly. Moreover, employees also get awards based on their performance.

2.4 Marketing Practices

SSL uses advanced technology for trading even a very small amount of can be traded using their apps. That is why their target clients are young people who are tech friendly and want flexible trading opportunities. SSL arranges different seminars for university students in different universities to encourage them to trade on DSE using their apps. University students mostly have very little money to invest so they encourage them to invest even a very small amount which in the long term can be a great segment of their assets in future. Moreover, SSL uses different social media to reach its clients or potential clients by using creative posters and informative reels. This is how SSL promotes its services to its clients.

2.5 Operations Management and Information System Practices

SSL has two ways for trading. First one is clients can use "Shanta EasyTrade" apps for trading and second one is clients can communicate with their relationship manager (RM) for manager. Moreover, they have another app called "Shanta EasyX". They use the customer service department to confirm deposit money in BO account. Also, the customer service department helps clients to do overall BO account opening and appointment of RM. However, clients can choose their RM on their own.

2.6 Conclusions

Shanta Security Limited is constantly trying to generate new ideas to serve customers with the best trading experience. The research team gave clients a broad picture for investment decision based on market and economy. Moreover, they provide a huge buy-sell suggestion for 6 months in a report. This made clients more likely to take their services.

SSL's vision for seamless trading experience will take this company into a new stage if they keep modifying their USP for investors. However, it is important to know that new generation of young people is a large part of our population so it would be better if the platform uses a brief guidance for elderly people who want to trade online by themselves.

2.7 Recommendation

SSL is currently performing very well in terms of financial service and innovation of their apps. However, there is room for improvement in customer service and technological advancement area. For instance, they could increase the recruitment of more employees in admin department so that daily work will be done more seamlessly. Moreover, customers will get instant assurance that their money is safely transferred to BO account. There is another solution for technological advancement. Here they can introduce a feature within apps which will provide confirmation of money transfer in BO account.

Chapter 3

An Investment Decision of Heidelberg Materials Bangladesh PLC's: A Comprehensive Stock Analysis and Valuation

3.1 Introduction

This chapter represents an analysis of Heidelberg Materials Bangladesh PLC's financial forecasting, stock valuation and analysis and industry insights. The valuation methods are used to identify the fair value of the stock and the historical stock price analysis, which will provide a potential return of the stock and forecast the potential price of the stock. This analysis will help an investor to make an investment decision on whether they should buy or sell stock. Moreover, the analysis will provide a brief idea about the cement industry, its investment positives and risks.

3.1.1 Background and Problem Statement

The cement industry of Bangladesh is a potential industry because for its constant growth, economic development, urbanization, and government-implemented mega projects. However, there are some potential challenges that affect the cement industry from growing into new heights. Moreover, the increasing import costs for raw materials, political instability, and fluctuating demand are the major challenges.

The valuation of Heidelberg Materials Bangladesh plc is significant for understanding the dynamic investment conditions. The report evaluates Heidelberg Materials' financial performance and valuation for investment opportunities.

3.1.2 Objective(s)

- To examine the financial situation and position of Heidelberg Materials Bangladesh PLC.

- To analyze the potential of the cement industry of Bangladesh
- To identify the fair value of the Heidelberg material stock using multiple valuation methods.
- To assess the investment potential and risk measurement of Heidelberg Materials Bangladesh PLC.

3.1.3 Significance

The valuation report of Heidelberg Materials Bangladesh PLC will provide a brief insight about financial performance and forecast, historical stock analysis, valuation of stock for investors and stakeholders to understand the financial position of the cement industry.

3.1.4 Scope of the Study

The scope of the study on the Heidelberg Materials Bangladesh PLC valuation report by using the discounted cash flow method, the Price-to-book value method, and the market multiplier method. Moreover, the report includes a brief macroeconomic and industry analysis with investment positives and risks. However, the report is heavily dependent on secondary data and is a limitation of the report. Also, the performance of the company heavily depends on how the economy grows or government infrastructural decisions which might change the valuations of stock.

3.2 Literature Review

Discounted cash flow measures the intrinsic value of an investment by using forecasted cash flow. Moreover, this valuation method is used to identify the fair value of investment today (Fernando, 2024). The DCF method is one of the useful methods for identifying whether an investor should invest or not. For using this method, it is essential to use forecasted cashflow by using proforma cashflow statement.

The price-to-book ratio valuation method is used to compare a company's market capitalization to its book value to identify the companies over or under valuation. Moreover, the P/BV is an important valuation method which indicates a company's market price is sensible or not associated with its balance sheet (Fernando, 2024a). This valuation method heavily depends on the market cap and balance sheet of a company. Therefore, it indicates the P/BV valuation method shows the financial position a company has aligned with the market cap.

In this paper, market multiplier valuation model price-to-earning ratio has been used to identify the intrinsic value. The market multiplier model using p/e is simplified valuation tool which evaluates the relative costliness of investment similar to other companies. Moreover, it basically assists the investor to analyze the current market price of a stock and past market price of investment on earning-relative basis (Kenton, 2020). The average industry p/e and EPS (latest year) is used to calculate the intrinsic value of the company.

3.3 Methodology

The paper is heavily dependent on secondary sources. Several online newspaper articles, annual report of Heidelberg Materials Bangladesh PLC, Dhaka stock exchange website, Lanka Bangla portal, trading websites has been used to prepare this report. The quantitative data is collected from the company annual report and historical data of stock. Moreover, the quantitative data is collected from various news articles.

3.4 Findings and Analysis

Company Fundamentals	
Market Cap	11,628
No. of Share Outstanding	56,503,580
Current Price	204
52- week Range	172 to 371
P/E (Latest)	29.46

(12th May,2025)

Table 1 : Company Fundamentals

Recommendation	BUY
Price (BDT)	204
Target Price (BDT)	279
Expected Total Return (%)	36.61%
Expected Dividend Yield (%)	2.03%
Expected Total Return (%)	38.64%
Market Cap (BDT mn)	11,628
Total Share Outstanding	56,503,580
Free-Float Share	39.33%

Table 2 : Recommendation Summary

Valuation Summary	
Discounted Cash Flow	361.34
Price to Book value	161.22
Market Multiplier	230.83
Expected Capital Gain	36.61%
Expected Dividend Yield	2.03%
Holding Period Return	38.64%

Table 3 : Valuation Summary

Key Financials	2026E	2027E	2028E	2029E
Revenue Growth	10.00%	10.00%	10.00%	10.00%
EBIDTA Margin	4.69%	9.61%	9.44%	9.31%
Net Profit Margin	1.50%	5.28%	5.31%	5.34%
EPS	5.13	19.84	21.94	24.25
Dividend Pay-out	48.75%	12.60%	11.40%	10.31%

Table 4 : Forecasted Key Financials

3.4.1 SUMMARY

Heidelberg Materials Bangladesh PLC is a subsidiary of the Heidelberg Materials group, Germany. It is one of the leading multinational cement manufacturers of Bangladesh. It holds 10% of the market share of the cement industry in Bangladesh. The company got listed on the Dhaka Stock Exchange (DSE: HEIDELBCEM) in 1989 (Exchange)

3.4.1.1 HIGHLIGHTS

The recommendation for Heidelberg Materials Bangladesh PLC's stock is BUY with a target price of Tk 279, shows a 36.61% capital gain. To identify fair value, different valuation methods have been used. The recommendations are based on the key catalysts mentioned.

3.4.1.2 CAPABLE OF MEETING FUTURE MARKET DEMAND

Bangladesh is considered the least developed country with a rapidly growing GDP. Therefore, it has huge potential for growth of infrastructure development. The GNI per capita of Bangladesh is growing constantly which is an indication of the increasing purchasing power of consumers. Moreover, lots of foreign investment and development plans will be executed in Bangladesh. This will increase the demand for cement as real estate will play an important role in infrastructure development. Fortunately, Heidelberg Materials Bangladesh PLC can serve the demand for cement with its manufacturing plants.

3.4.2 ECONOMY & INDUSTRY ANALYSIS

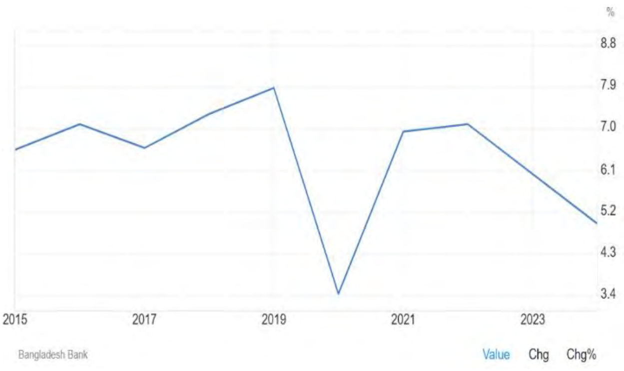


Figure 1 : GDP growth

(TRADING ECONOMICS)

Economic Growth:

Bangladesh has a growing GDP. From the figure, Bangladesh experienced growth of GDP, but there are a few fluctuations. There is downturn down fall in the economy because of the pandemic, the Russia-Ukraine war, and local political turmoil. Other than that, the GDP of Bangladesh is According to reports, Bangladesh is the fastest-growing economy in the Asia-Pacific region among 32 countries in June 2023 (Mavis, 2023). The cement industry is directly linked to the construction sector of Bangladesh. The growing GDP is a positive indication for the cement industry to flourish in the future. A significant portion of the GDP growth will affect the infrastructure development of Bangladesh as well as the cement industry of Bangladesh.

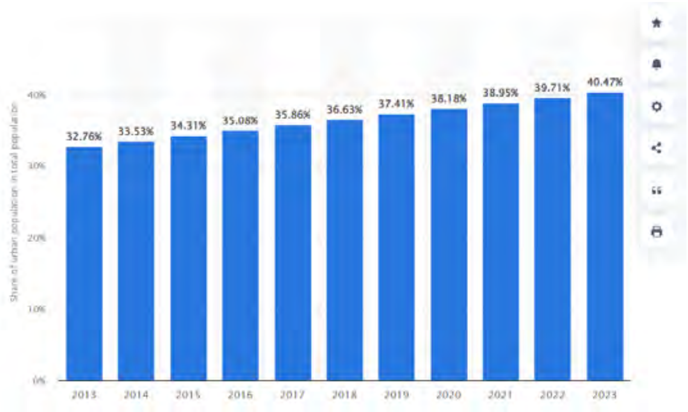


Figure 2 : Urban Population Growth

(Statista)

Urbanization:

Urbanization of a country requires the development of roads, railways, bridges, sanitation facilities, flyovers, government quarters and many more. This urbanization fuels the increasing demand for real estate infrastructure development.

This infrastructure development for urbanization requires cement for its construction. In the figure, Bangladesh's cement industry's growth is consistent for the last 10 years. The rising population creates the demand for housing and the expansion of infrastructure development. This aspect provides the cement industry with a strong need for cement. Therefore, the cement industry has potential for the future in Bangladesh.

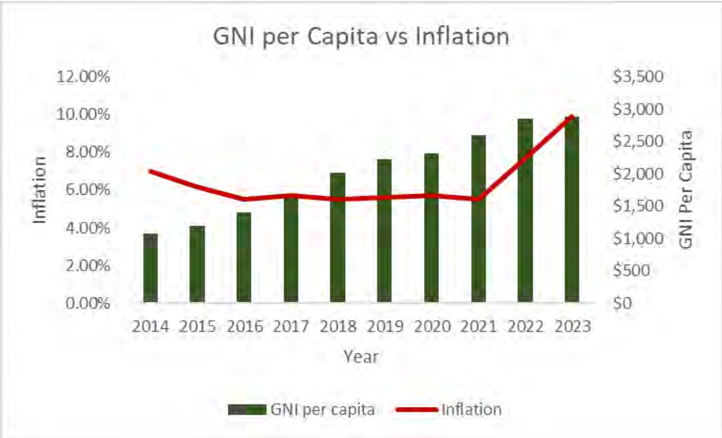


Figure 3 : GNI Per Capital vs Inflation

(*World Bank Open Data*) (*Bangladesh Bank*)

GNI and Inflation:

The increasing GNI contributed to the growth of real estate, infrastructure development, and private expansion of urban areas of Bangladesh, which will drive higher demand for cement. More individuals can afford to build a house, and as economy will do well, so the government can invest in mega infrastructure development projects. The rising inflation might create a challenging scenario, but the demand won't change due to inflation. However, the cement companies may face rising prices in raw materials.

3.4.3 BUSINESS OVERVIEW:

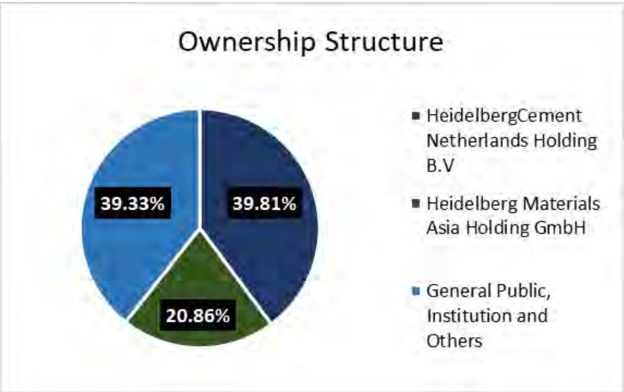
Heidelberg Materials Bangladesh PLC is a subsidiary of the Heidelberg Materials group, Germany. It is one of the leading multinational cement manufacturers of Bangladesh. It holds 10% of the market share of the cement industry in Bangladesh. The company got listed on the Dhaka Stock Exchange (DSE: HEIDELBCEM) in 1989.

Source: Heidelberg Materials Bangladesh PLC

Figure 4 : Heidelberg Materials Products

In Bangladesh, Heidelberg Materials Bangladesh PLC has two reputed brands, “RubyCement” and “ScanCement” (*Heidelberg Materials Bangladesh PLC).* It holds a silver position in the cement industry of Bangladesh. In 2015, Heidelberg Materials Bangladesh secured the first prize of National Productivity and Quality Excellence in “the heavy industry category” in Bangladesh (The Daily Star, 2016).

3.4.4 SHAREHOLDER STRUCTURE:



The largest shareholder of HEIDELBERGCEM is HeidelbergCement Netherlands Holding B.V., which holds 39.71% of the shares. Moreover, 39.33% portion holds Heidelberg Materials Asia Holding GmbH.

Figure 5 : Company Ownership Structure of HEIDELBERGCEM

Lastly, the remaining 20.86% of the share is held by the public of Bangladesh, institutions, and others (*Heidelberg Materials Bangladesh PLC. - Shareholding Position*). The portion of shareholders may vary from time to time, but this is the most recent scenario of Heidelberg Materials. An investor should analyze the company's holder portion before investing it in the company.

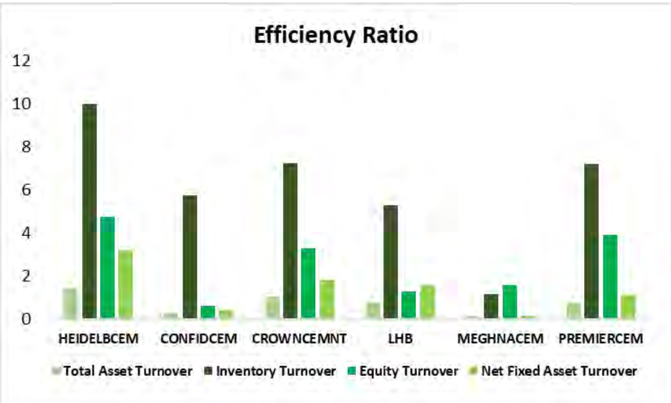
3.4.5 INDUSTRIAL FINANCIAL PERFORMANCE ANALYSIS:

PROFITABILITY ANALYSIS

Heidelberg Materials Bangladesh PLC have a lower profitability ratio compared to its peers listed in DSE. It has latest gross profit of 11%, net operating profit is 5%, and a low net profit margin of 2%.

Figure 6 : Profitability Ratio

This indicates higher costs in manufacturing and operational activities. That is why it requires revising its operational efficiency and financial structure within the domestic cement market.

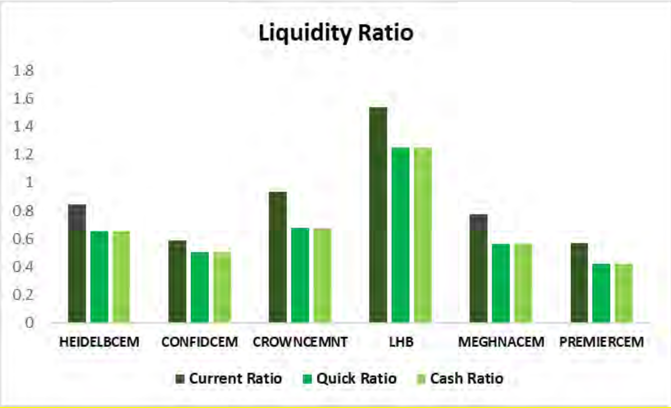


EFFICIENCY ANALYSIS

HEIDELBERGCEM has a strong efficiency in inventory management because it has high inventory turnover compared to its peers in DSE. It also utilized of equity and fixed assets to generate revenue.

Figure 7 : Efficiency Ratio

However, its total asset turnover is lower than that of some of its peers. On the other hand, it has a higher inventory efficiency.

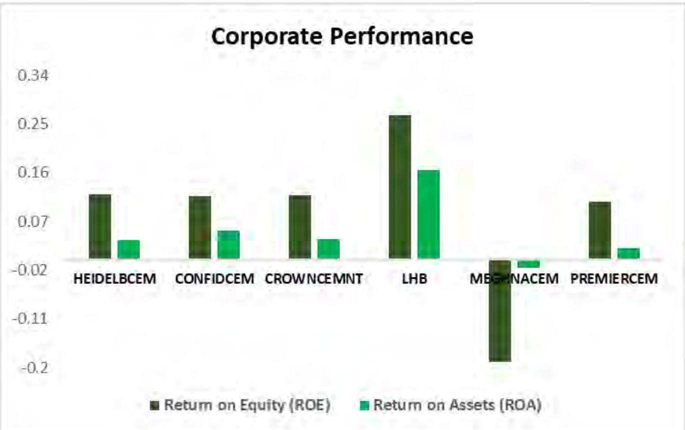


LIQUIDITY ANALYSIS

HEIDELBERGCEM in the cement market has a limited short-term liquidity position, with current and quick ratios below 1. On the other hand, its liquidity is better than Confidence and Premier

Figure 8 : Liquidity Ratio

Cement, but LHB falls behind. The deviation between its current to quick ratios highlights the role of inventory in its short-term assets, and its cash ratio. This indicates relatively lower cash availability for short-term loans. Efficient management of operational activity, inventory and short-term loans is necessary for satisfactory liquidity management.



CORPORATE PERFORMANCE ANALYSIS

HEIDELBERGCEM has a moderate return on equity of 14% to its shareholders. However, it has a significantly lower return on assets of 3%. This indicates the shareholder

Figure 9 : Corporate Performance

returns are reasonable, the company is less efficient in generating profit. From this scenario it can be said financial risk profile of the company is within the competitive landscape of the cement industry.

3.4.6 HEIDELBERGCEM'S FINANCIAL PERFORMANCE ANALYSIS

Figure 10 : Profitability of HEIDELBERG

PROFITABILITY OF HEIDELBERG

HEIDELBERGCEM experienced significant fluctuations between 2020 and 2022 due to COVID and Russia-Ukraine war. Even it has a negative downturn in 2022.

However, the company recovered in 2023. Although the net profit margin remained below the 2021 level. This sensitive volatility of the company's profitability in the market to economic factors and highlights the importance of effective cost management and strategic pricing in navigating the local economic landscape.

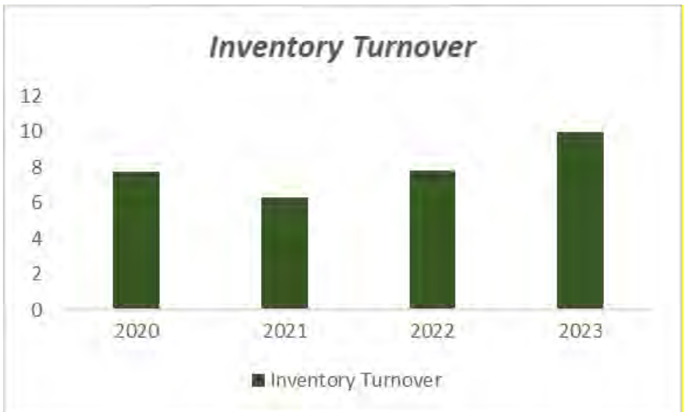


Figure 11 : Inventory Turnover HEIDELBERG

INVENTORY TURNOVER OF HEIDELBERG

HEIDELBERGCEM's inventory turnover in shows a positive pattern overall between 2020 and 2023. There's a downfall in 2021 due to COVID.

This increases efficiency which indicates the improvement of working capital management. The company's ability to rapidly turn over appears to be a growing strength.

Figure 12 : Liquidity & Leverage HEIDELBERG

LIQUIDITY AND FINANCIAL LEVERAGE OF HEIDELBERG

HEIDELBERGCEM a trend of increasing financial leverage between 2020 and 2023 contentiously. This shows an indicating of greater reliance on debt financing.

However, the liquidity remained below ideal levels for most of the period. This shows improvement in 2023. The rising financial leverage represents a higher financial risk which has impact on profitability. The liquidity status in 2023 is positive for the company's financial health for short-term.

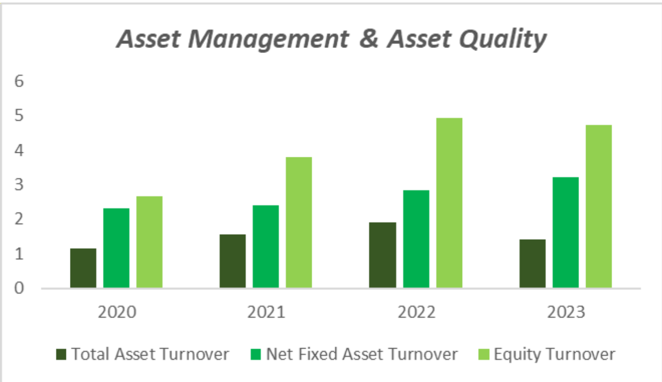
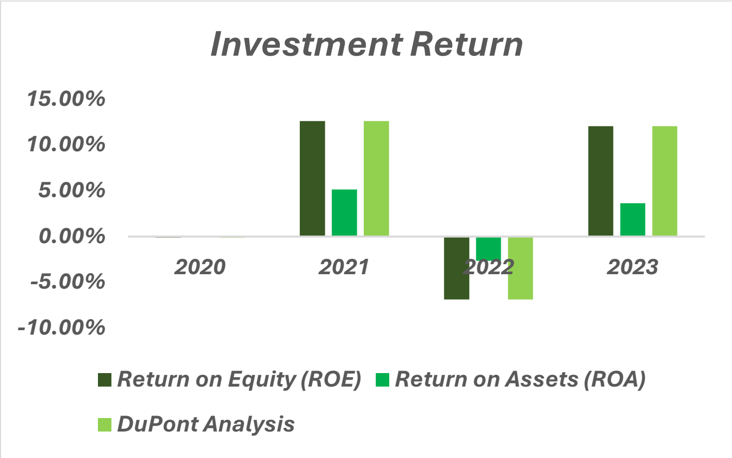


Figure 13 : Asset management & quality HEIDELBERG

ASSET MANAGEMENT & ASSET QUALITY OF HEIDELBERG

HEIDELBERGCEM has a gradual improved efficiency in asset management for 4 years. However, the total asset turnover decreased in 2023.

This can be for inefficiencies in other asset categories. This situation is recoverable because of a little bit of change in asset management.



INVESTMENT RETURN OF HEIDELBERG

HEIDELBERGCEM's investment returns is measured in ROE and ROA, form. This shows a drastic volatility between 2020 and 2023, with a substantial loss in 2022.

Figure 14 : Investment Return HEIDELBERG

However, there was a strong recovery in 2023. The DuPont Analysis figure is almost same as the ROE.

3.4.7 HEIDELBERG'S HISTORICAL FINANCIAL PERFORMANCE ANALYSIS:

HEIDELBCEM: Historical & Forecasted Financials

Table: Financial Summary (BDT mn except Noted)

Income Statement	FY'20	FY'21	FY'22	FY'23	FY'24	FY'25	FY'26	FY'27	FY'28	FY'29
Revenue	10,521	14,328	16,767	17,956	16,699	17,534	19,287	21,216	23,337	25,671
EBIDTA	758	1,067	432	1,270	17	509	905	2,039	2,203	2,391
EBIT	373	670	(21)	845	(451)	55	450	1,559	1,719	1,895
Profit Before Tax	237	666	(80)	786	(511)	(7)	386	1,494	1,653	1,827
Profit After Tax	(5)	475	(233)	459	(639)	(9)	290	1,121	1,240	1,370
EPS (BDT)	(0.09)	8.41	(4.13)	8.13	(11.31)	(0.16)	5.13	19.84	21.94	24.25
DPS (BDT)	2.00	2.60	1.00	2.50	2.03	2.03	1.89	2.11	2.01	2.01
Revenue Growth (%)	-14%	27%	15%	7%	-8%	5%	9%	9%	9%	9%
EBIT Growth (%)	24%	44%	-3326%	102%	-287%	926%	88%	71%	9%	9%
NPAT Growth (%)	-3671%	101%	-304%	151%	-172%	6952%	103%	74%	10%	10%

Balance Sheet	FY'20	FY'21	FY'22	FY'23	FY'24	FY'25	FY'26	FY'27	FY'28	FY'29
Current Assets	2,691	3,296	2,902	7,027	8,292	10,290	12,650	16,197	20,377	24,862
Cash & Equivalents	304	465	230	4,296	4,934	7,095	9,252	12,680	16,492	20,714
Non-Current Assets	4,560	5,939	5,878	5,595	5,397	5,255	5,052	4,872	4,745	4,636
Total Assets	9,144	9,235	8,780	12,622	13,689	15,545	17,702	21,068	25,121	29,499
Current Liabilities	3,254	3,807	3,759	4,148	4,492	4,394	4,571	4,836	5,340	5,793
Non-Current Liabilities	1,552	1,224	915	531	2,905	3,852	4,676	5,631	6,734	7,947
Shareholder's Equity	3,934	3,763	3,394	3,797	3,017	2,866	3,015	3,995	5,093	6,322
BVPS (BDT)	69.01	66.02	59.54	66.61	52.93	50.29	52.89	70.08	89.35	110.91

Key Ratios	FY'20	FY'21	FY'22	FY'23	FY'24	FY'25	FY'26	FY'27	FY'28	FY'29
Gross Profit Margin (%)	12.37%	11.15%	6.41%	11.52%	5.00%	8.00%	10.00%	15.00%	15.00%	15.00%
EBIT Margin (%)	3.55%	4.67%	-0.12%	4.70%	-2.70%	0.31%	2.33%	7.35%	7.37%	7.38%
EBITDA Margin (%)	7.20%	7.45%	2.58%	7.07%	0.10%	2.90%	4.69%	9.61%	9.44%	9.31%
Net Profit Margin (%)	-0.05%	3.31%	-1.39%	2.55%	-3.83%	-0.05%	1.50%	5.28%	5.31%	5.34%
ROE (%)	-0.13%	12.62%	-6.87%	12.08%	-21.18%	-0.32%	9.61%	28.06%	24.34%	21.68%
ROA (%)	-0.05%	5.14%	-2.65%	3.63%	-4.67%	-0.06%	1.64%	5.32%	4.93%	4.65%
Div. Payout Ratio (%)	-23.07%	23.80%	-63.03%	12.32%	-22.11%	-1559.41%	48.75%	12.60%	11.40%	10.31%
EV/EBIDTA (x)	18.9x	13.0x	33.0x	10.6x	865.0x	28.0x	15.4x	6.2x	5.1x	4.1x
EV/EBIT (x)	38.4x	20.8x	-687.0x	15.9x	-31.7x	261.2x	31.0x	8.1x	6.5x	5.1x
Dividend Yield (%)	0.86%	1.12%	0.43%	1.07%	0.87%	0.87%	0.81%	0.91%	0.86%	0.86%
Net Debt/ EV (%)	9.56%	7.94%	8.52%	33.13%	41.64%	56.57%	71.06%	95.23%	128.54%	176.42%

Table 5 : HEIDELBCEM: Historical & Forecasted Financials

Income Statement Analysis:

The Income Statement of HEIDELBERGCEM's represents FY'20-FY'23 is actual data and FY'24 to FY'29 is forecasted by formulating a proforma analysis **(Details in Appendix).** The revenue of the company is upward trending, and it is expected that the company will perform well in the future as there's potential for infrastructure development and boosting the economy. However, the net profit margin follows a fluctuating trend.

Balance Sheet Analysis:

The Balance sheet of HEIDELBERGCEM's represents FY'20-FY'23 is actual data and FY'24 to FY'29 is forecasted by formulating a proforma analysis **(Details in Appendix).** The total assets of the company show a greater relances on current assets that's why its grow every year. The non-current assets growth in not significant but positive. Also, the growth of the current and non-current liability is not significantly high but maintains a small growth rate over the year.

3.4.7.1 PRO FORMA INCOME STATEMENT ANALYSIS:

The forecasted income statement of HEIDELBERGCEM is formulated based on assumption, which justifies constant recoveries from 2024. Also, according to actual data it is a fluctuating trend but the potential of the cement industry count leads to growth in future.

	2024E	2025E	2026E	2027E	2028E	2029E
Sales	16,699	17,534	19,287	21,216	23,337	25,671
Growth Rate	**-7.00%**	**5.00%**	**10.00%**	**10.00%**	**10.00%**	**10.00%**
COGS	(15,864)	(16,131)	(17,358)	(18,033)	(19,837)	(21,820)
As a % of Sales	**95.00%**	**92.00%**	**90.00%**	**85.00%**	**85.00%**	**85.00%**

Total Operating Income	8.35	8.77	9.64	10.61	11.67	12.84
As a % of Sales	**0.05%**	**0.05%**	**0.05%**	**0.05%**	**0.05%**	**0.05%**
Total Operating Expense	(1,252)	(1,315)	(1,447)	(1,591)	(1,750)	(1,925)
As a % of Sales	**7.50%**	**7.50%**	**7.50%**	**7.50%**	**7.50%**	**7.50%**
Net Finance Expense	(60)	(62)	(63)	(65)	(67)	(68)
Effective Interest Rate	**2.50%**	**2.50%**	**2.50%**	**2.50%**	**2.50%**	**2.50%**
Contribution to workers' profit participation fund	(42)	(42)	(42)	(42)	(43)	(43)
As a % of Sales	**0.59%**	**0.59%**	**0.59%**	**0.59%**	**0.59%**	**0.59%**
Income Tax	(334)	(340)	(347)	(354)	(361)	(368)
As a % of Sales	**2.00%**	**2.00%**	**2.00%**	**2.00%**	**2.00%**	**2.00%**

Table 6 : Interpretation of Pro-Forma Income Statement Growth

PRO-FORMA INCOME STATEMENT						
Particulars	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**
Sales	16,699	17,534	19,287	21,216	23,337	25,671
Cost of goods sold	(15,864)	(16,131)	(17,358)	(18,033)	(19,837)	(21,820)
Gross profit	**835**	**1,403**	**1,929**	**3,182**	**3,501**	**3,851**
Other operating income / (expenses)	**8**	**9**	**10**	**11**	**12**	**13**
Total Operating Cost	**(1,252)**	**(1,315)**	**(1,447)**	**(1,591)**	**(1,750)**	**(1,925)**
Operating profit/loss)	(409)	96	492	1,602	1,762	1,938
Depreciation						
Net finance expenses	**(60)**	**(62)**	**(63)**	**(65)**	**(67)**	**(68)**
Contribution to workers' profit participation fund	**(42)**	**(42)**	**(42)**	**(42)**	**(43)**	**(43)**
Profit/loss) before tax	(511)	(7)	386	1,494	1,653	1,827
Income tax expense	(128)	(2)	(97)	(374)	(413)	(457)
Profit/loss) for the year	**(639)**	**(9)**	**290**	**1,121**	**1,240**	**1,370**
Total comprehensive income for the year	**(639)**	**(9)**	**290**	**1,121**	**1,240**	**1,370**
Earnings per share (EPS)	-11.31	-0.16	5.13	19.84	21.94	24.25
Dividend per share (DPS)						

Table 7 : Pro-Forma Income Statement

3.4.7.2 PRO FORMA BALANCE SHEET ANALYSIS:

PRO-FORMA BALANCE SHEET Particulars	2024E	2025E	2026E	2027E	2028E	2029E
Assets						
Non-current assets						
Property, plant and equipment	4630	4508	4323	4161	4053	3963
Lease assets-RoU	517	517	517	517	517	517
Capital works-in-progress	202	202	202	202	202	202
Intangible assets	48	28	10	-8	-27	-46
Term Loan to ECBL-non-current portion	0	0	0	0	0	0
Tax assets	0	0	0	0	0	0
Goodwill	0	0	0	0	0	0
Total non-current assets	**5,397**	**5,255**	**5,052**	**4,872**	**4,745**	**4,636**
Investment in subsidiaries						
Current assets						
Inventories	2,129	2,015	2,164	2,232	2,514	2,728
Trade and other receivables	552	503	557	607	693	743
Advances, deposits and prepayments	658	658	658	658	658	658
Term Loan to ECBL-current portion	0	0	0	0	0	0
Tax assets	20	20	20	20	20	20
Cash and cash equivalents	4,934	7,095	9,252	12,680	16,492	20,714
Total current assets	**8,292**	**10,290**	**12,650**	**16,197**	**20,377**	**24,862**
Total assets	**13,689**	**15,545**	**17,702**	**21,068**	**25,121**	**29,499**
Equity and liabilities						
Capital and reserves						
Share capital	565	565	565	565	565	565
Reserve	142	142	142	142	142	142
General reserve	15	15	15	15	15	15
Dividend equalization fund	9	9	9	9	9	9
Retained earnings	2,287	2,136	2,285	3,264	4,363	5,592
Total equity	**3,017**	**2,866**	**3,015**	**3,995**	**5,093**	**6,322**
Total Loans	**5,955**	**8,059**	**9,891**	**12,013**	**14,463**	**17,159**
Non-current liabilities						
Suppliers' credit-blocked	3	3	3	3	3	3
Provision for KP Jetty dismantling	116	116	116	116	116	116
Retirement benefit obligations (gratuity)	-	-	-	-	-	-

Deferred tax liability	107	107	107	107	107	107
Total non-current liabilities	**225**	**225**	**225**	**225**	**225**	**226**
Current liabilities						
Trade and other payables	4,230	4,132	4,308	4,574	5,078	5,530
Provision for Other Expenses	0	0	0	0	0	0
Net defined benefit liability	0	0	0	0	0	0
Provision for workers profit participation fund	41	41	41	41	41	41
Unclaimed dividend	-	-	-	-	-	-
Current tax liabilities	221	221	221	221	221	221
Total current liabilities	**4,492**	**4,394**	**4,571**	**4,836**	**5,340**	**5,793**
Total liabilities	**10,672**	**12,678**	**14,687**	**17,074**	**20,029**	**23,177**
Total equity and liabilities	**13,689**	**15,545**	**17,702**	**21,068**	**25,121**	**29,499**
NAVPS	**53**	**51**	**53**	**71**	**90**	**112**
Difference	**0**	**0**	**0**	**0**	**0**	**(0)**
BVPS (BDT)	**53**	**50**	**53**	**70**	**89**	**111**

Table 8 : Pro-Forma Balance Sheet

3.4.8 STOCK ANALYSIS

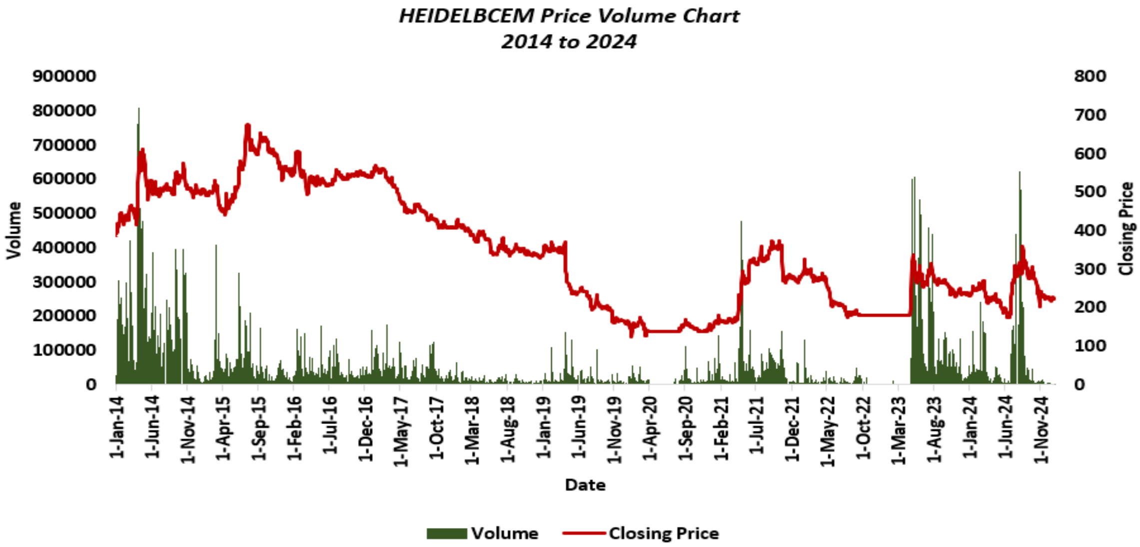


Figure 15 : Historical Stock Price and Volume Movement

3.4.8.1 TECHNICAL ANALYSIS:

The latest price 4th May 2025 has been taken and observed the price volume range from 2014 to 2024. The figure is volatile because of several political turmoil and increasing exchange rate. However, it is expected that the stock will take turn and have potential for investors. It traded at high volume at time gradually it traded in low volume and at a lower price. This gives investor an opportunity to invest and wait for the stock to return it to its fair value in future. Monte Carlo

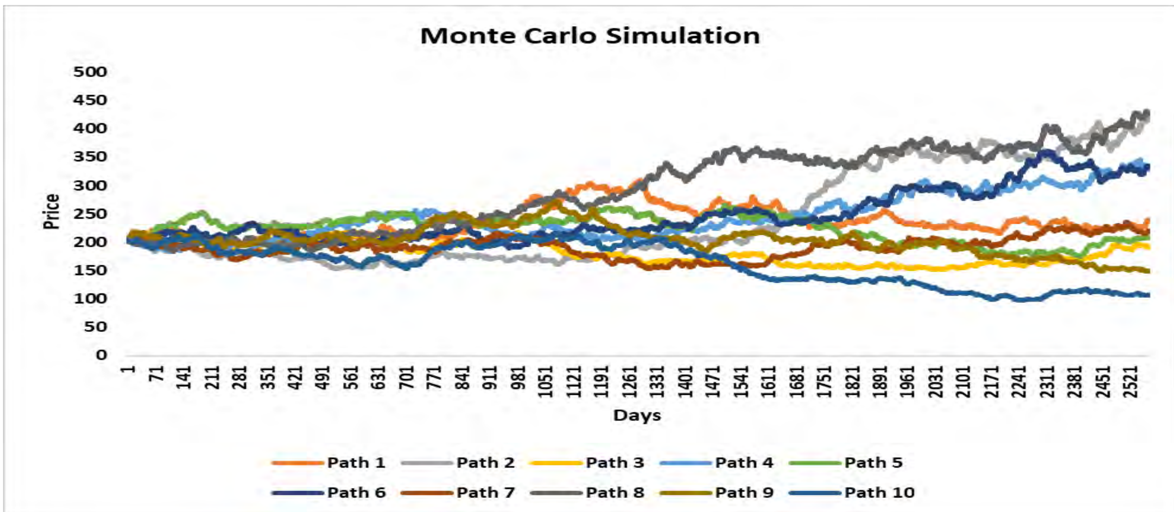


Figure 16 : Monte Carlo Simulation for Next 10 years

3.4.8.2 STOCK RETURN ANALYSIS

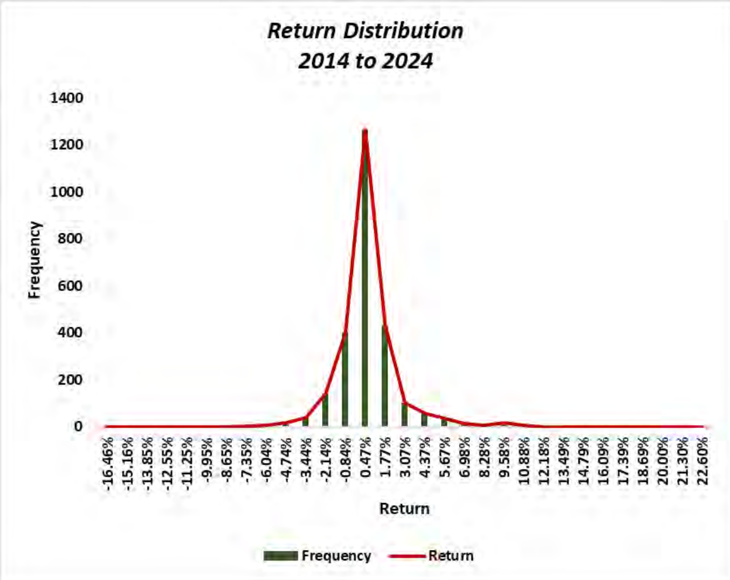


Figure 17 : Return Distribution of HEIDELBERG

RETURN DISTRIBUTION (10 YEARS):

For last ten years, the Heidelberger's stock provides highest 22.06% return and lowest -16.46% return.

The median return was 0.47% which is a positive return. This shows for the last 10 years the stock provides mostly positive return to its investor.

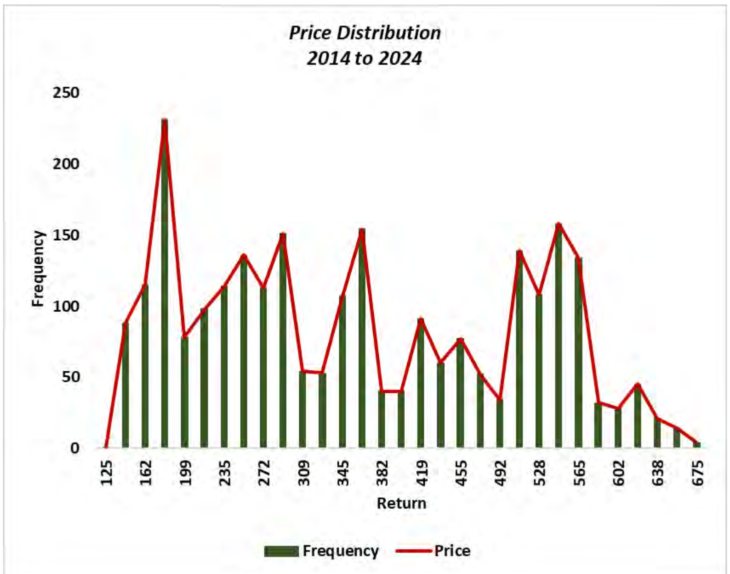


Figure 18 : Price Distribution HEIDELBERG (2014-2024)

3.4.8.3 STOCK PRICE DISTRIBUTION

For last ten years, the Heidelberger's stock price is highest 675BDT and lowest 125BDT. Moreover, most of the time the stock's price was between 162 to 199BDT. On the other hand, it also been 345 to 382 BDT. This depicts the shock was mostly undervalued because it has variety of price ranges.

3.4.8.4 DIVIDEND ANALYSIS

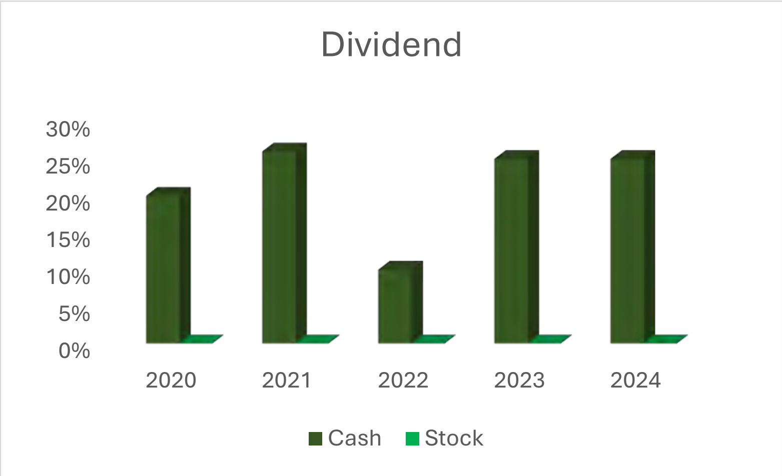


Figure 19 : Historical Dividend HEIDELBERG

HISTORICAL DIVIDEND ANLALYSIS:

Heidelberg mostly paid stock dividend of 20% and more. However, in 2022 they paid only 10% that can be for the war situation. Other than that, in 2023, 2024 they paid 25% stock dividend to investors.

3.4.8.5 HEIDELBERG VS DSEX

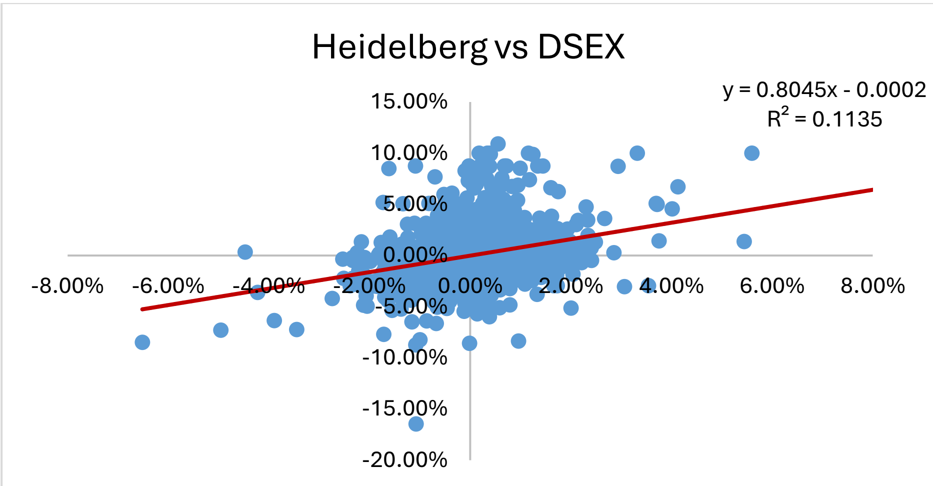


Figure 20 : HEIDELBERG vs DSEX

Alpha	-0.00015
Beta	0.80454
R-square	0.11350
Correlation	0.33689

ALPHA: The alpha value of Heidelberg and DSEX IS -.00015, which indicates the investment in Heidelberg's stock is slightly underperforming compared to its benchmark, which is DSEX.

BETA: A beta value of 0.80454 which is less than 1. This shows the investment in Heidelberg's stock is less volatile than DSEX. Moreover, it can be said that the stock has lower market risk or systemic risk.

R-SQURE: The r-square value of .11350. This means the price movement of Heidelberg's stock is 11.35% aligned with the market. 88.65% of stocks' movement depends on other factors of stocks.

COORELATION: A positive relation of .33689 means that Heidelberg's movement's possibility in same director to DSEX is 33.68%. This relation is considered as moderate to week correlation to the market.

3.4.9 INVESTMENT SUMMARY

The methodology that has been used for the valuation was Discounted Cash flow (DCF), Price-to-Book Value and Market Multiplier. 3 valuation models have been done to identify the target price range using Geometric mean and the weighted average of the different fair values under the 3 valuation models.

3.4.9.1 COST OF DEBT

Cost of Debt	
Interest Expense	59
Total Debt	8,825
Cost of Debt	**0.67%**
Income Tax Expense	327
Income Before Tax	787
Effective Tax Rate	41.60%
Cost of Debt After Tax	0.39%

**As the cost of debt is very low that does not meet industry standard. Therefore, the average long-term lending rate has been taken as Cost of Debt. **

Table 9 : Cost of Debt

Bank Name	Long Term Lending Rates (Large & Medium Scale Industry) FEB 2025
BRAC bank	13.50%
Eastern bank	14.00%
Mutual Trust bank	14.50%
Prime Bank	14.00%
The City Bank	14.00%
United Commercial Bank Limited	15.00%
Standard Charter Bank	12.00%
AB Bank	15.50%
Bank Asia	14.55%
Dutch Bangla Bank	13.00%
Market Cost of Debt	**14.01%**

Table 10 : Market Cost of Debt

The cost of debt is one of the important elements to calculate weighted average cost calculation.

In Heidelberg it is seen that the company has a very small lending portion. Therefore, to match the industry standard the market average cost of debt has been taken to calculate the cost of debt for the company to calculate the WACC.

3.4.9.2 COST OF EQUITY

Cost of Equity	
Current Price (12 May 2025)	204
CAPM	**12.44%**
Average Market Return	12.90%
Beta	0.8045
Risk Free Rate (5 years – 30 August 2025)	10.31%
Long-Term Growth Rate	6.40%

Table 11 : Cost of Equity

WEIGHTED AVERAGE COST OF CAPITAL

Weighted Average Cost Calculation		
Weight of Equity and Debt	**Amount**	**Weight**
Total Debt	8,825	43.18%
Market Cap (In mn)	11,611.49	56.82%
Total	**20,437**	**100%**
WACC	**13%**	

Table 12 : Weighted Average Cost of Capital

The cost of debt is one of the important elements to calculate weighted average cost calculation.

In Heidelberg it is seen that the company has a very small lending portion. Therefore, to match the industry standard the market average cost of debt has been taken to calculate the cost of debt for the company to calculate the WACC.

3.4.10 VALUATION

Beta	**0.804541**
Risk Free	**10.54%**
Market Return	**12.90%**
Cost of Equity	**12.44%**
WACC	**13%**
Terminal Growth	**5.5%**

3.4.10.1 Discounted Cash Flow Model:

The DCF identifies the intrinsic value of HEIDELBERGCEM by using the Future cash Flows to the firm (FCFF). In this model by discounting the company's cashflow at the company's WACC and calculating the terminal value and growth rate. The WACC 13% is calculated by using cost of equity and cost of debt.

A terminal growth is kept as 5.5% which is a combination of GDP growth rate future cement industry growth rate.

VALUATION OF HEIDELBERGCEM					
Terminal Value DCF Model Comparable	**2025E**	**1** **2026E**	**2** **2027E**	**3** **2028E**	**4** **2029E**
Profit	(9)	290	1,121	1,240	1,370
Add: Depreciation	435	437	461	465	477
Less: Inv in WC	(64)	26	(146)	(136)	(188)
Less: Capex	312	252	300	357	387
FCFF	178	449	1,428	1,485	1,649
Terminal Value of FCFF					21982.03
Discount Factor	1	0.8894	0.7910	0.7035	0.6256
PV of Adjustred FCFF	177.52	399.06	1129.80	1044.35	1031.44
	3782.18				
PV of Terminal Value	13752.58				
Enterprise Value	17534.76				
Plus: Cash & Equivalent	2,881.99				
Less: Interest Debt	0				
Equity Value	20416.75				
No. of Shares Outstanding	57				
Value per Share	**361.34**	**Undervalued**			

Table 13 : DCF Model

Sensitivity Table (DCF)						
		Growth Rate				
	361.34	4.5%	5.0%	5.5%	6.0%	6.5%
WACC	12.00%	361.34	378.72	398.78	422.18	449.84
	12.50%	346.12	361.34	378.72	398.78	422.18
	13.00%	332.70	346.12	361.34	378.72	398.78
	13.50%	320.77	332.70	346.12	361.34	378.72
	14.00%	310.09	320.77	332.70	346.12	361.34
		Max	449.84			
		Min	310.09			

Table 14 : Sensitivity Table (DCF)

The fair value from DCF is BDT 361.34. Moreover, the sensitivity analysis shows the maximum fair value is BDT 449.84 and minimum fair value is BDT 310.09. This is greater than the market value, which suggests an investor should invest in this stock.

3.4.10.2 Price-to-Book value Model:

For price-to-book value, the average of last 5 years net asset value per share is used and the forecast NAVPS of 2024 has been used for valuation.

VALUATION OF HEIDELBERGCEM						
P/BV						
	2019	**2020**	**2021**	**2022**	**2023**	**5Y Average**
Share Price on Year End	164.8	149.6	272.4	179.1	239.5	
Net Asset Value Per Share (NAVPS)	2.31	2.15	4.09	2.98	3.56	3.02
NAVPS 2024E	53					
Forward Price through P/BV	**161.22**	**Overvalued**				

Table 15 : P/BV Model

The fair value from P/BV is BDT 161.22. Moreover, the sensitivity analysis shows the maximum fair value is BDT 185.99 and minimum fair value is BDT 137.24. This is lower than the market value. Therefore, according to P/BV model and investor should not invest in this stock.

Sensitivity Table (P/BV)						
		P/BV ratio				
	161.22	**2.62**	**2.82**	**3.02**	**3.22**	**3.42**
NAVPS	**54.39**	142.48	153.36	164.24	175.12	185.99
	53.89	141.17	151.95	162.73	173.51	184.28
	53.39	139.86	150.54	161.22	171.90	182.57
	52.89	138.55	149.13	159.71	170.29	180.87
	52.39	137.24	147.72	158.20	168.68	179.16

Max	**185.99**
Min	**137.24**

Table 16 : Sensitivity Table P/BV

3.4.10.3 Market Multiplier Method:

In the market multiplier model EPS has been considered for identifying the intrinsic value. The industry P/E is the average of 6 DSE listed top cement companies. And the EPS is the latest year of Heidelberger.

Industry P/E	32.19
Profit after Tax (2024)	459
Profit after Tax (LATEST Q)	-639
HEIDELBERG EPS (taken from DSE website) [latest - 9 months (July 2023 to March 2024)]	7.31
EPS [latest - 3 months]	-0.14
No of Outstanding Shares (30 September 2024)	57
EPS (Latest 1 year calculated)	**7.17**

Intrinsic Value	**230.83**
Current Price (APRIL)	204.00
Undervalued	**11.62%**

Table 17 : Market Multiplier Model (P/E)

The fair value of the market multiplier is BDT 230.83, but the market price is 204. The fair value is 11.62% greater than the market value, which suggests an investor should invest in this stock.

3.5 Summary

Valuation 2025							
Stock	Valuation Method Used	Fair Value	Market Price	Potential Return	Potential Exposure	Remark	Verdict
Heidelberg Materials	DCF	361.34	204	77.13%		Undervalued	Buy
	P/BV	161.22	204	-20.97%	23.10%	Overvalued	Sell
	Market Multiplier (P/E)	230.83	204	13.15%		Undervalued	Buy
	Weighted Average	278.68	204	36.61%		Undervalued	Buy
	Arithmatic Average	251.13	204	23.10%		Undervalued	Buy
	Geomatric Average	237.80	204	16.57%		Undervalued	Buy

Fair Value Range		Historical Price Range (2024)		TARGET PRICE
Minimum	161.22	Minimum	175.60	279
Maximum	361.34	Maximum	359.30	

Table 18 : Valuation Summary and Remarks

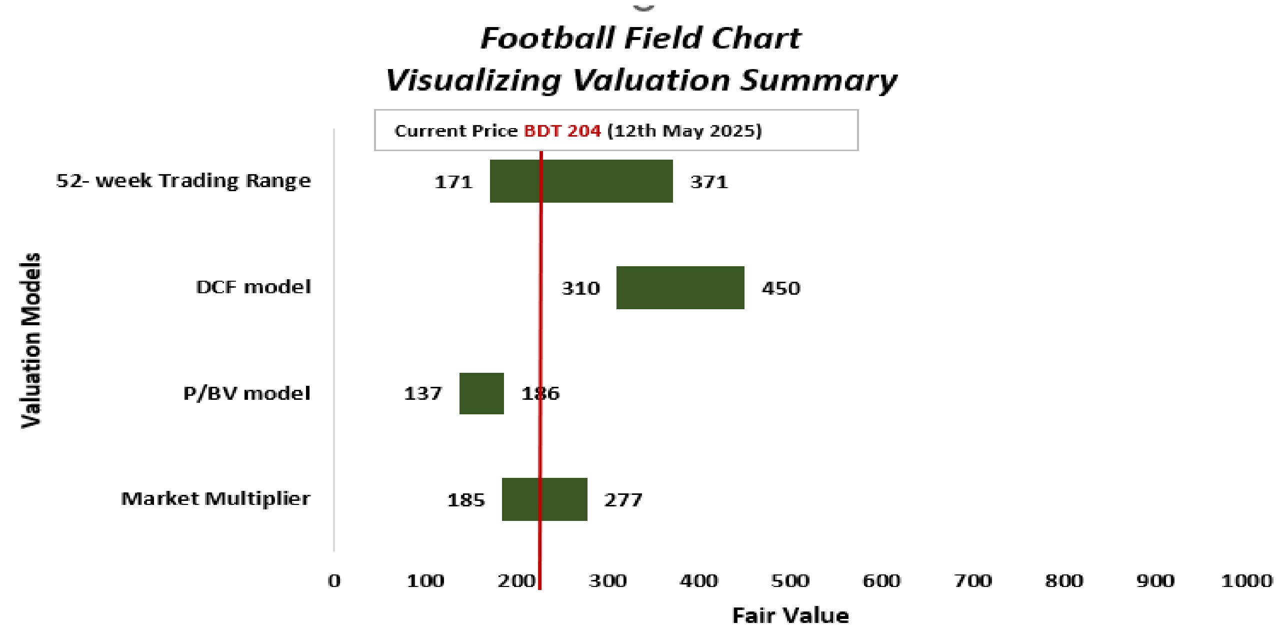


Figure 21 : Football Field Chart

Majority of the valuation method suggests that Heidelberger's stock is undervalued. It has the potential to grow in the future. Moreover, the cement industry has a lot of potential to grow in the Bangladeshi market. According to the previous year's stock price the stock went up to 359.30 and went down to 175.60. The volatility happened due to political situation of Bangladesh.

The valuation suggests the fair value of 279 BDT, but the market price is 204 BDT. That is 36.76% lower than the expected value. Therefore, the share has a high potential to grow in future. An investor should invest in stock.

3.6 RECOMMENDATIONS

A rational investor should consider both positive and risk factors while investing in a particular stock. No matter how undervalued stocks are available in the market, there are some reasons which affect stocks prices. Therefore, Heidelberg has both positive and risk factors which could affect its valuation.

3.6.1 INVESTMENT POSITIVES

1. Heidelberg is in a positive situation in terms of increasing profitability. They worked on strategic cost management and efficient operational management. Their improvement in gross margin was 83.37% of their total turnover in Q1FY'24. Moreover, their profit margin increases in 2023, 11.5%, due to the premium pricing of Multi-purpose Cement. EBITDA margin has the potential to grow 0.1% in FY'24, and by FY'27, it is expected to grow 9.6%. Heidelberg is committed to its premium pricing despite being in a competitive market to improve its financial position in the upcoming years. This company is focusing on strengthening its cash reserve despite the challenging FY'24 marked by a 7% decline in its turnover due to political turmoil and student movements in July and August. In this quarter, Heidelberg's sales are at their peak. It is expected that stability will return from the election, and new projects will be introduced. The demand for cement will increase, and the construction activities will

resume from new changes, which will drive high revenue growth. This will make Heidelberg a good investment choice for investors.

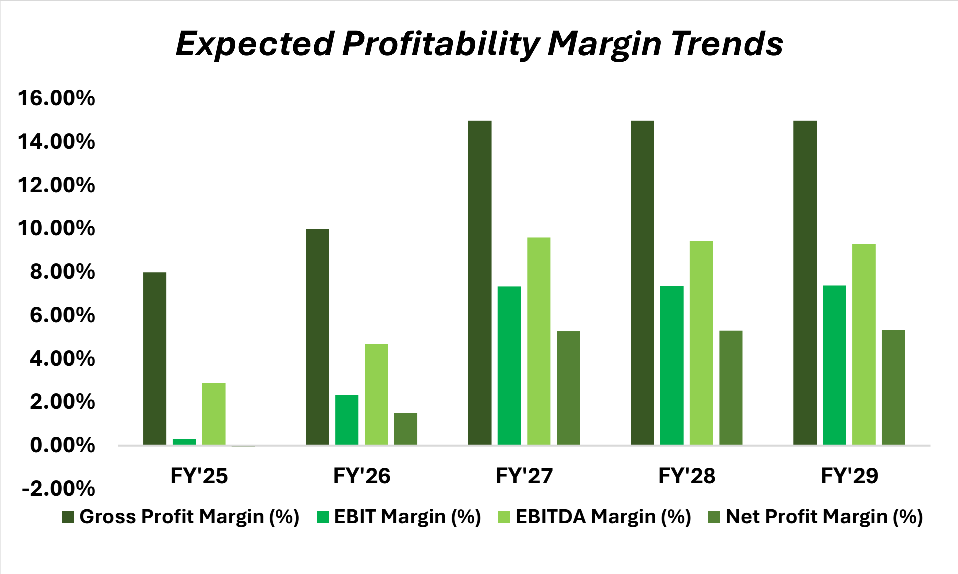


Figure 22 : Expected Profitability

2. Heidelberg holds a strong position in the cement industry of Bangladesh as it assures a quality product in the competitive market. This company is such a strong choice for foreign direct investment (FDI) and infrastructure development spending in Bangladesh. The country set $1.75 billion FDI for energy and cement projects in the 2025 elections. The key to the spending is government-proposed megaprojects like Cox's Bazar airport expansion, Matarbari Deep-Sea Port (Issue-I, 2025). This will drive the demand for premium cement. The potential spending and commitments rebound in the Annual Development Program (ADP) from the Bangladesh Investment Summit 2025, over $150 million in energy and garments FDI, and further prospects will increase the demand for cement, and are expected to grow CAGR of 3.6% for the next 5 years (Correspondent, 2025).

3. Heidelberg has a competitive advantage for utilizing their capacity efficiently; it operates at 90% of its capacity, which is 2.3 million tons in its Chattogram plants

(*Bangladesh*, n.d.). The operational activity of Heidelberg, combined with the strong international brand Heidelberg Materials Group, enables the company to produce quality premium cement and a prestigious choice for infrastructure development companies. Moreover, the launch of Multi-Purpose Cement successfully saved its raw material across the APAC region.

4. Heidelberg Materials Bangladesh is a subsidiary of an international company, so they get access to international experts to implement their knowledge in the local market. From international experts, Heidelberg gets benefits from their leadership.

3.6.2 INVESTMENT RISKS

1. Heidelberg faces challenges in their profitability because the company relies heavily on imported raw materials. The materials are especially clinkers, which are 75% of its manufacturing costs. The duty fee of clinker is 500 BDT to 700 BDT per ton. Moreover, fly ash, slag, and gypsum are initially imported for making cement (Issue-I, 2023). It makes the investment risky for increasing the exchange rate. The fluctuation of the exchange rate and the tariff increase build pressure on the margin of the company. Therefore, it impacts financial performance.

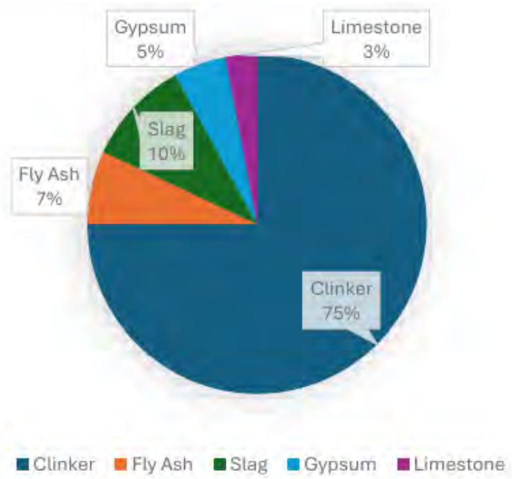


Figure 23 : Cement Production Elements

2. Political events of Bangladesh have a great impact on government mega projects and their budgets. The upcoming election in 2025 may also delay government spending on infrastructure. Moreover, the historical trends of ADP in the election years can escalate the production of fuel disruptions. The recent BDT350 billion reductions in ADP allocation can directly impact on the cement demand and the pipeline project (The Financial Express, n.d.). It creates concern about the production and sales disruption of cement due to potential political instability.

3.7 Conclusions

In conclusion, it is important to identify the market situation while investing in a particular stock. However, Heidelberg holds a less volatile position if it is compared to DSEX as its beta is 0.80454 which is less than 1. There is political factor, environment factor that also shows significant changes in Bangladeshi stock market. Also, the industry growth sometimes varies on political and socio-economic factors. This has impact on the stock value.

The valuation of Heidelberg' stock shows a most possible intrinsic value. However, future is uncertain therefore for other factors the intrinsic value might change. An investor should consider all other factors in terms of investing in a particular stock.

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Appendix:1

Financial Analysis				
Ratio	**2020**	**2021**	**2022**	**2023**
Asset Management & Asset Quality				
Total Asset Turnover	1.150592	1.551599	1.909719	1.422573
Net Fixed Asset Turnover	2.30724	2.412752	2.852369	3.209037
Equity Turnover	2.674595	3.807285	4.940245	4.729102
Cash Flow & Capital Adequacy				
Operating Cash Flow to Sales	0.094826	0.077901	0.012803	0.068551
Efficiency & Productivity & Capital Strength				
Inventory Turnover	7.762596	6.295307	7.826528	9.986486
Liquidity & Leverage				
Current Ratio	0.735547	0.775995	0.648924	0.847173
Quick Ratio	0.410885	0.299885	0.200518	0.655366
Cash Ratio	0.083122	0.109549	0.051463	0.517914
Financial Leverage	2.324538	2.453782	2.586897	3.324329
Profitability & Investment Return				
Gross Profit Margin	12.37%	11.15%	6.41%	11.52%
Operating Profit Margin	3.55%	4.67%	-0.12%	4.70%
EBITDA Margin	7.20%	7.45%	2.58%	7.07%
Net Profit Margin	-0.05%	3.31%	-1.39%	2.55%
Return on Equity (ROE)	-0.13%	12.62%	-6.87%	12.08%
Return on Assets (ROA)	-0.05%	5.14%	-2.65%	3.63%
DuPont Analysis	-0.13%	12.62%	-6.87%	12.08%

Appendix:2

PPE Schedule										
Particulars (BDT mn)	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**
Beginning Balance	8,167	9,095	11,199	11,346	11,518	11,787	12,100	12,352	12,652	13,009
Assets - Emirates Cement Bangladesh Ltd	830	1,442								
Assets - Emirates Power Company Ltd		135								
Addition	104	533	199	213	269	312	252	300	357	387
Disposal	(7)	(6)	(52)	(41)						
Ending Balance	**9,095**	**11,199**	**11,346**	**11,518**	**11,787**	**12,100**	**12,352**	**12,652**	**13,009**	**13,396**
CAPEX	**98**	**527**	**147**	**172**	**269**	**312**	**252**	**300**	**357**	**387**
% of Sales	0.93%	3.68%	0.88%	0.96%	1.61%	1.78%	1.31%	1.41%	1.53%	1.51%

Accumulated Dep	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**
Beginning Balance	4,400	5,318	5,934	6,333	6,708	7,157	7,592	8,029	8,490	8,956
Acc. Depr.- Emirates Cement Bangladesh Ltd	538	185								
Acc. Depr.- Emirates Power Company Ltd		41								
Depreciation Expense	384	396	439	412	449	435	437	461	465	477
Disposal	(4)	(6)	(40)	(37)						
Adjustment										
Ending Balance	**5,318**	**5,934**	**6,333**	**6,708**	**7,157**	**7,592**	**8,029**	**8,490**	**8,956**	**9,433**
Carrying Amount	**3,777**	**5,265**	**5,013**	**4,810**	**4,630**	**4,508**	**4,323**	**4,161**	**4,053**	**3,963**
		4.51%	3.94%	3.33%	3.93%	3.73%	3.66%	3.77%	3.72%	3.72%

Depreciation & Amortization	**385**	**397**	**453**	**425**	**467**	**455**	**455**	**480**	**484**	**496**

Intangible assets-HCBL Schedule										
Particulars (BDT mn)	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**
Beginning Balance	10	11	91	103	105	105	105	105	105	105
Assets- Meghna Energy Limited	1									
Addition		80	12	2	0	0	0	0	0	0
Ending Balance	**11**	**91**	**103**	**105**	**105**	**105**	**105**	**105**	**105**	**105**
% of Sales		0.56%	0.07%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Amortization	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**
Beginning Balance	9	10	12	25	38	57	77	94	113	132
Acc.Depr.- Meghna Energy Limited	1									
Charge for the year	0	1	13	13	18	20	18	19	19	18
Ending Balance	**10**	**12**	**25**	**38**	**57**	**77**	**94**	**113**	**132**	**150**
Carrying Amount	**1**	**79**	**78**	**67**	**48**	**28**	**10**	**(8)**	**(27)**	**(46)**
		13.89%	25.94%	13.67%	17.83%	19.15%	16.88%	17.95%	18.00%	17.61%

Capital works-in-progress										
Particulars (BDT mn)	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**
Beginning Balance	356	546	195	207	202	202	202	202	202	202
Addition: Emirates Cement Bangladesh Ltd		2								
Addition	284	242	202	132	0	0	0	0	0	0
Capitalized during the year	(94)	(596)	(190)	(138)						
Ending Balance	**546**	**195**	**207**	**202**	**202**	**202**	**202**	**202**	**202**	**202**
Carrying Amount	**189**	**(353)**	**13**	**(6)**	**0**	**0**	**0**	**0**	**0**	**0**
% of Sales	1.80%	-2.47%	0.08%	-0.03%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

WORKING CAPITAL										
Particulars (BDT mn)	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**
Working Capital	(867)	(1,008)	(1,087)	(1,417)	(1,134)	(1,199)	(1,172)	(1,319)	(1,455)	(1,644)
Investment	(1,136)	(141)	(79)	(330)	282	(64)	26	(146)	(136)	(188)

RETAINED EARNINGS										
Particulars (BDT mn)	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**
Beginning Balance	2,687	2,681	3,032	2,663.706	3,067	2,287	2,136	2,285	3,264	4,363
Profit/Loss for the Year	(5)	475	(233)	459	(639)	(9)	290	1,121	1,240	1,370
Other Comprehensive Income/Loss		(11)	11							
Dividend Payment	1	113	147	57	141	141	141	141	141	141
Ending Balance	**2,681**	**3,032**	**2,663**	**3,067**	**2,287**	**2,136**	**2,285**	**3,264**	**4,363**	**5,592**
D/E	-23.15%	23.78%	-62.93%	12.30%	25%	25%	25%	25%	25%	25%

INVENTORY TURNOVER										
Particulars (BDT mn)	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**
COGS	9,219	12,731	15,692	15,887	15,864	16,131	17,358	18,033	19,837	21,820
Inventory	1,756	1,605	2,014	1,798	2,129	2,015	2,164	2,232	2,514	2,728
Ratio	5.25	7.93	7.79	8.84	7.45	8.00	8.02	8.08	7.89	8.00

PAYABLES TURNOVER										
Particulars (BDT mn)	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**
COGS	9,219	12,731	15,692	15,887	15,864	16,131	17,358	18,033	19,837	21,820
Payables	2,940	3,739	3,589	3,886	4,230	4,132	4,308	4,574	5,078	5,530
Ratio	3.14	3.40	4.37	4.09	3.75	3.90	4.03	3.94	3.91	3.95

RECEIVABLES TURNOVER										
Particulars (BDT mn)	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**
Sales	10,521	14,328	16,767	17,956	16,699	17,534	19,287	21,216	23,337	25,671
Receivables	893	399	502	449	552	503	557	607	693	743
Ratio	11.79	35.91	33.42	39.97	30.27	34.89	34.64	34.94	33.69	34.54

TOTAL LOANS										
Particulars (BDT mn)	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**
Beginning Balance	2,662	1,372	1,106	1,215	4,452	5,955	8,059	9,891	12,013	14,463
Addition		(266)	109	3,237	1,503	2,104	1,832	2,122	2,450	2,695
Loan Repayment	(1,289)									
Ending Balance	1,372	1,106	1,215	4,452	5,955	8,059	9,891	12,013	14,463	17,159
	12.26%	1.86%	0.65%	18.03%	9.00%	12.00%	9.50%	10.00%	10.50%	10.50%

LOANS PROPORTIONS										
Particulars (BDT mn)	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**
Total Loans	1,372	1,106	1,215	4,452	5,955	8,059	9,891	12,013	14,463	17,159
Total ST Loans	405	441	713	4,146	3,275	4,432	5,440	6,607	7,955	9,437
Total LT Loans	968	665	502	306	2,680	3,627	4,451	5,406	6,508	7,721
% of ST Loans	29.48%	39.86%	58.64%	93.14%	55%	55%	55%	55%	55%	55%
% of LT Loans	70.52%	60.14%	41.36%	6.86%	45%	45%	45%	45%	45%	45%

Appendix:3

Using Market Cap (Taka in million)			
Year	Market Cap	Return	
2004	224159		
2005	228575	1.97%	101.97%
2006	315446	38.01%	138.01%
2007	742196	135.28%	235.28%
2008	1043799	40.64%	140.64%
2009	1903228	82.34%	182.34%
2010	3508006	84.32%	184.32%
2011	2616731	-25.41%	74.59%
2012	2403556	-8.15%	91.85%
2013	2647791	10.16%	110.16%
2014	3259247	23.09%	123.09%
2015	3159758	-3.05%	96.95%
2016	3412441	8.00%	108.00%
2017	4228945	23.93%	123.93%
2018	3872953	-8.42%	91.58%
2019	3395511	-12.33%	87.67%
2020	4482301	32.01%	132.01%
2021	5421964	20.96%	120.96%
2022	7609369	40.34%	140.34%
2023	7808496	2.62%	102.62%
2024	6626198	-15.14%	84.86%

Using DSEX/DGEN			
Year	Index	Return	
2004	1917		
2005	1631	-14.91%	85.09%
2006	1565	-4.04%	95.96%
2007	2934	**87.46%**	**187.46%**
2008	2718	-7.35%	92.65%
2009	4410	**62.25%**	**162.25%**
2010	8061	82.79%	182.79%
2011	5112	**-36.58%**	**63.42%**
2012	4102	-19.75%	80.25%
2013	4267	**4.00%**	**104.00%**
2014	4865	14.03%	114.03%
2015	4630	**-4.84%**	**95.16%**
2016	5036	8.78%	108.78%
2017	6245	**24.00%**	**124.00%**
2018	5386	-13.75%	86.25%
2019	4453	**-17.32%**	**82.68%**
2020	5402	21.31%	121.31%
2021	6757	**25.08%**	**125.08%**
2022	6207	-8.14%	91.86%
2023	6246	**0.63%**	**100.63%**
2024	5216	-16.48%	83.52%

Whole Period	Using Market Cap	Using Index	Using Index Without Outliers	Using Index		Using Market Cap	
				Last 5 Years	Last 10 Years	Last 5 Years	Last 10 Years
Market Return, Rm Average	18.45% **12.90%** ***Will be using this***	5.13%	-1.61%	3.22%	0.70%	14.31%	7.35%

Appendix:4

Metric	HEIDELB CEM	CONFID CEM	CROWN CEMNT	LHB	MEGHNA CEM	PREMIER CEM
Close Price	204.9	50.00	45.70	45.3	38.3	51.4
Market Capital(mn)	11577.584	4312.69	6786.45	52610.22	1209.841	5420.13
PE Interim	15.09	3.89	9.56	9.46	-	57.65
PE Audited	25.83	5.75	6.74	8.87	-	7.32
NAV	76.35	83.44	58.47	17.25	10	63.89
Turnover	4295.85	3176.46	28137.08	-	-	17850.91
Dividend Yield(%)	1.22	2.00	4.60	4.19	-	4.18
Current Ratio	0.847	0.589	0.932	1.538	0.777	0.57
Quick Ratio	0.655	0.50	0.68	1.248	0.56	0.423
Cash Ratio	0.518	0.029	0.074	0.789	0.026	0.014
Financial Leverage	3.324	2.22	3.24	1.629	12.443	5.219
Interest Coverage	13.375	1.899	0.998	36.908	-0.067	0.815
Operating Cash Flow to Sales	0.069	-0.06	0.05	0.279	-0.66	0.025
Gross Profit Margin	0.115	0.152	0.151	0.362	0.223	0.158
Operating Profit Margin	0.049	0.13	0.12	0.273	0.187	0.121
EBITDA Margin	0.044	0.202	0.059	0.272	-0.013	0.052
Net Profit Margin	0.026	0.18	0.04	0.209	-0.121	0.028
Return on Equity (ROE)	0.121	0.117	0.118	0.267	-0.19	0.107
Return on Assets (ROA)	0.036	0.05	0.04	0.164	-0.015	0.021
Total Asset Turnover	1.423	0.286	1.019	0.784	0.126	0.746
Net Fixed Asset Turnover	3.209	0.40	1.83	1.579	0.181	1.129
Equity Turnover	4.729	0.635	3.296	1.277	1.572	3.896
Inventory Turnover	9.986	5.76	7.23	5.274	1.17	7.197

Appendix: 4

Skewness	1.3281273
Kurtosis	12.398813

Return 2014 to 2024	
Max	22.60%
Min	-16.46%
Range	39.06%
No. of bins	30
Distance	1.30%

Price 2014 to 2024	
Price Max	675.1
Price Min	125.3
Price Range	549.8
Price Distance	18.33

Return 2024	
Return Max	10.00%
Return Min	-7.30%
Return Range	17.30%
Distance 2024	1.15%
No. of bins	15.00
Minimum Price	175.60
Maximum Price	359.30

Appendix: 5

Method	Value	Weight	Final	Total	Recommendation
DCF	361.34	50%	180.67	279	BUY
P/BV	161.22	25%	40.30		
Market Multiplier	230.83	25%	57.71		