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Broker's Call

RELIANCE SECURITIES **HeidelbergCement** **India (Buy)**

CMP: ₹154.55

Target: ₹205

Our channel check suggests that Central region is likely to see realisations improvement of nearly 5 per cent YoY and about 4 per cent QoQ in the fourth quarter of FY18. Further, with the resolution of sand mining issues in Uttar Pradesh, demand in central region has witnessed a firm recovery aiding companies to witness healthy sales volume.

Further, with no meaningful capacity addition coming in Central region in next 2-3 years except UltraTech and JK Cement, we believe HeidelbergCement would hit a sweet spot to improve its financials in ensuing years, on the back of healthy demand outlook owing to favourable monsoon, likely uptick in government spending in Uttar Pradesh & Madhya Pradesh and resolution of sand mining issues.

Further, likely de-leveraging of balance-sheet along with better operating performance is expected to result in improvement in return ratios.

We maintain our fundamental BUY recommendation on the stock with a target price of ₹205.

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