

January 28, 2024

RESULT REPORT Q3 FY24 | Sector: Cement

Dalmia Bharat

JPA acquisition key for PAN India aspiration

Result Synopsis

Dalmia Bharat (DALBHARA) reported healthy Revenue/EBITDA/PAT growth of +7/20/32% y/y on account of +8% y/y volume growth and 3% y/y eased total cost, while NSR dipped marginally y/y in Q3FY24. RM/te surged by +57% y/y on account of rising fly-ash & slag prices over demand supply mismatch. Despite that, the total cost/te decline by 4% y/y, mainly on account of eased power cost/te by 30% y/y in Q3FY24. As a result, the EBITDA came in at Rs1140/te (YSECe Rs1092/te) improved by +12% y/y translating the EBITDA margin to 21.5% in Q3FY24. With 0.9MTPA of debottlenecking expansion at Belgaum, the DALBHARA reached 44.6MTPA in Q3FY24 and will reach to 46.6 MTPA by FY24 end. Additionally, DALBHARA will add another 2.9MTPA in the east taking the total capacity to 49.5MTPA (excl. JPA assets) by FY25E.

With JPA assets, DALBHARA will make breakthrough in the central market, fulfilling its PAN India aspiration of 110-130MTPA. We believe the sustenance of cement prices (east/south) will be vital for DALBHARA for better profitability and lower its dependence on borrowing as the ongoing CAPEX + JPA acquisition will peak its net debt/ EBITDA >2x by FY24 end. We trimmed our volume estimate by 9/3% for FY24/25E, on account of market share loss in the east during Q1FY24. However, we believe double-digit organic volume growth of +10/18/12% y/y in FY24/25/26E owing to robust demand outlook and ramping up of incremental capacities. We continue to like DALBHARA for its stronghold in the East/South key markets, recent entry in west and pursuing entry into central India. The strong Infra push in the East/South will drive incremental volumes from newly added capacities and cost optimization measures to improve the efficiency. We maintained our BUY rating with a TP of Rs2,933, valuing the stock at 15x EV/EBITDA on FY26E.

Result Highlights

- The revenue came in-line, registering a growth of +7% y/y mainly aided by +8% y/y volume growth to 6.8MT (v/s YSECe 6.9MT), while NSR dipped marginally by 1% y/y in Q3FY24.
- Company dispatched 0.4MT of volume from JPA assets.
- Total cost/te declined by 4% y/y as expected led by moderating fuel & power cost/te by 30% y/y, which mitigated the RM/te surge of 57% y/y in Q3FY24.
- EBITDA came at Rs1140/te (+12% y/y) v/s YSECe Rs1092/te translating the margin to 21.5% (YSECe 20.8%) in Q3FY24 as compared to 18.7% in Q2FY24.
- EBITDA grew by +20% y/y and +31% q/q to Rs7.75bn. PAT came in at Rs2.63bn (v/s YSECe Rs2.32bn) up by +32% y/y and +123% q/q in Q3FY24.
- DALBHARA received Rs3.2bn as 2nd installment for the sale of investment in Dalmia Bharat Refractories from Sarvapriya Healthcare Solutions. Also received Rs1.2bn from promoter on account of sale of Hippo Stores.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YSec	Consensus	YSec	Consensus	
Sales	36,000	36,091	35,237	(0.3)	2.2	Overall performance came as anticipated
EBITDA	7,750	7,516	7,500	3.1	3.3	
Margin (%)	21.5	20.8	21.3	70 bps	24 bps	
Rept. PAT	2,630	2,322	2,445	13.3	7.6	

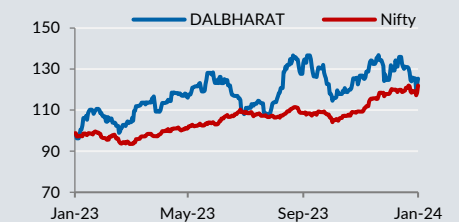
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 2,205
Target Price	: Rs 2,933
Potential Return	: +33%

Stock data (as on Jan 25, 2024)

Nifty	21,353
52 Week h/l (Rs)	2431 / 1672
Market cap (Rs/USD mn)	404118 / 4880
Outstanding Shares (mn)	188
6m Avg t/o (Rs mn):	705
Div yield (%)	0.4
Bloomberg code:	DALBHARA IN
NSE code:	DALBHARAT

Stock performance



	1M	3M	1Y
Absolute return	0.5%	7.2%	27.6%

Shareholding pattern (As of Dec'23 end)

Promoter	55.9%
FII+DII	23.7%
Others	20.5%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	2933	2896

Δ in earnings estimates

	FY24E	FY25E
EPS (New)	46.7	68.8
EPS (Old)	56.1	64.4
% Change	-17%	7%

Financial Summary

(Rs mn)	FY24E	FY25E	FY26E
Revenue	145,863	170,071	192,460
Growth	8%	17%	13%
EBITDA	28,380	36,657	41,709
Margin	19%	22%	22%
Adj PAT	8,638	12,727	15,316
Growth	-20%	47%	20%
EPS	46.7	68.8	82.8
ND/EBITDA	2.5	2.3	2.0
ROE	5%	7%	8%
ROCE	6%	8%	9%
EV/EBITDA	16.9	13.4	11.8

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Exhibit 2: Quarterly snapshot (Console)

Particulars (Rs mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	y/y (%)	q/q (%)	FY23	FY22	y/y (%)
Net Revenue	33,550	39,120	36,240	31,490	36,000	7.3	14.3	135,400	112,860	20.0
Total Expenses	27,110	32,050	30,140	25,600	28,250	4.2	10.4	112,240	88,600	26.7
COGS	3,700	7,500	5,660	5,330	6,260	69.2	17.4	19,810	14,720	34.6
Employee Expenses	1,930	1,910	2,220	2,260	2,210	14.5	(2.2)	7,710	7,440	3.6
Power & fuel	9,640	8,710	9,020	6,980	7,260	(24.7)	4.0	36,790	25,700	43.2
Freight Exp	7,020	8,220	8,090	6,310	7,430	5.8	17.7	28,020	23,550	19.0
Other Expenses	4,820	5,710	5,150	4,720	5,090	5.6	7.8	19,910	17,190	15.8
EBITDA	6,440	7,070	6,100	5,890	7,750	20.3	31.6	23,160	24,260	(4.5)
EBITDA (%)	19.2%	18.1%	16.8%	18.7%	21.5%	233 bps	282 bps	17.1%	21.5%	-439 bps
D&A	3,250	3,360	3,990	4,010	3,700	13.8	(7.7)	13,050	12,350	5.7
Other Income	350	410	570	850	640	82.9	(24.7)	1,380	1,600	(13.8)
Interest Expense	680	640	830	1,010	1,080	58.8	6.9	2,340	2,020	15.8
Exceptional/EO items	-	1,440	-	-	-	-	-	1,440	20	7,100.0
Share JV/Associates	20	5,290	-	-	-	N/A	N/A	5,540	50	10,980.0
EBT	2,880	7,330	1,850	1,720	3,610	25.3	109.9	13,250	11,520	15.0
Tax	740	1,250	410	480	950	28.4	97.9	2,420	3,150	(23.2)
Reported PAT	2,140	6,080	1,440	1,240	2,660	24.3	114.5	10,830	8,370	29.4
Less: Minority Interest	140	200	140	50	30	(78.6)	(40.0)	440	290	51.7
Adj. PAT	2,000	5,880	1,300	1,180	2,630	31.5	122.9	10,350	8,160	26.8

Source: Company, YES Sec

Exhibit 3: Quarterly Operational Performance Analysis (Console)

Particulars (Rs mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	y/y (%)	q/q (%)	FY23	FY22	y/y (%)
Total Volumes (MMT)	6.3	7.4	7.0	6.2	6.8	7.9	9.7	25.7	22.2	15.8
NSR/te (Blended)	5,325	5,286	5,177	5,079	5,294	(0.6)	4.2	5,268	5,084	3.6
RM/te	587	1,014	809	860	921	56.7	7.1	771	663	16.3
Employees/te	306	258	317	365	325	6.1	(10.8)	300	335	(10.5)
Power/te	1,530	1,177	1,289	1,126	1,068	(30.2)	(5.2)	1,432	1,158	23.7
Freight/te	1,114	1,111	1,156	1,018	1,093	(1.9)	7.4	1,090	1,061	2.8
Others/te	765	772	736	761	749	(2.2)	(1.7)	775	774	0.0
Opex/te (Blended)	4,303	4,331	4,306	4,129	4,154	(3.5)	0.6	4,367	3,991	9.4
EBITDA/te (Blended)	1,022	955	871	950	1,140	11.5	20.0	901	1,093	(17.5)

Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- Management has a positive stance on long-term cement demand aided by infra thrust by government and private investments. The government could tap down the capex outflow in the coming budget announcement due to the general election, which management believes will not disrupt the demand momentum. Given this, management guided 15-17% of organic volume growth for FY25/26E, excluding the JPA acquisition (JPA will be incremental).
- Management indicates the rising entry barrier in the industry, but the competitive intensity remains high. Therefore, higher utilization and efficiency will be vital for profitability. Also, rising consolidation in the industry will keep prices growing at 1-2% CAGR in the long run.
- Jan'24 exit prices is in-line with Sep'23 exit prices. For the upcoming quarter, the pricing weakness would be mitigated by easing power & fuel costs.
- Per kcal/kg fuel cost declined to Rs1.5kcal/kg in Q3FY24 from Rs1.98kcal/kg in Q2FY24 v/s Rs2.06kcal/kg in Q4FY23, while expect to remain same in Q4FY24.
- In FY24E, Management believes the industry will generate ~Rs1100-1150/te of EBITDA and post-ROCE of 15%, on account of healthy utilization and better profitability.
- Trade was 63% (v/s 68% in Q2FY24), of which premium cement was 21% in Q3FY24. Blended share was at 84% in Q3FY24 v/s 88% in Q2FY24, which declined C:C ratio to 1.66x in Q3FY24 v/s 1.71x in Q2FY24.
- During Q1FY24, management tried to implement a pricing strategy in the eastern region, which led to market share loss in West Bengal and Bihar. Therefore, Management is adding new dealers and strengthening relationships with existing ones to regain its lost market share by Q4FY24, moreover trying to generate additional demand by building confidence with uninterrupted supply.
- Company commissioned 0.9MTPA of debottlenecking at Belgaum, Karnataka, and 1MTPA each at Ariyalur and Kadapa will take the overall capacity to 46.6MTPA by FY24 end (reaching 56MTPA incl. 9.4MTPA of JPA assets).
- DALBHARA will increase GU by 0.5MTPA at Rohtas unit in Bihar, with a CAPEX of Rs0.91bn and a greenfield unit in the North-East with 2.4MTPA cement capacity (Clinker 3.6MTPA) taking the total capacity to 49.5MTPA by FY25. Also, reiterated the interim expansion plan of 75MTPA by FY27E.
- For the JPA acquisition, management is waiting for lenders approval and expected to finalize the deal in Q4FY24. The JPA's 9.4MTPA capacity is lacking clinker. However, it will take 18-24 months to ramp up current capacity fully, till then company plans to expand the clinker capacity accordingly.
- DALBHARA guided CAPEX of Rs60-65bn for FY24E, out of which Rs35bn will be spent towards the acquisition of JPA assets and balance for ongoing organic expansion (incl. repairs & maintenance CAPEX). Going forward, the company believes to spend ~Rs30-35bn as CAPEX (incl. maintenance capex) in FY25/26E each.
- Company has received a 2nd instalment of Rs3.2bn from Sarvapriya Healthcare Solutions Private for the sale of investment in Dalmia Bharat Refractories and the last instalment of Rs3.2bn will be received by Sep'24.
- Also, received Rs1.2bn from the promoter on account of the sale of Hippo Stores.
- Net Debt/EBITDA (incl. IEX investment as current investments) declined to 0.16x in Q3FY24 v/s 0.59x in Q2FY24 and guided to remain below 2x even after JPA acquisition.
- Management reiterates its commitment to increase RE capacity to +328MW by FY25.

Exhibit 4: Annual Operational Performance Estimates (Console)

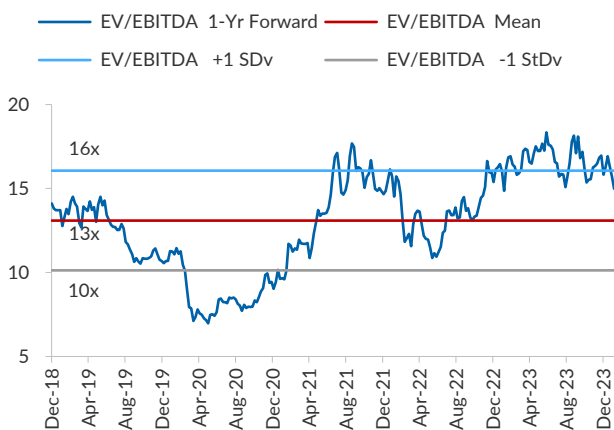
Particulars (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Total Volumes (MMT)	22.20	25.70	27.92	33.06	37.04
Utilization (%)	62%	62%	60%	67%	75%
Cement Realization/te	4,956	5,141	5,224	5,145	5,196
Net Realization/te (Blended)	5,084	5,268	5,224	5,145	5,196
RM/te	663	771	841	826	837
Power/te	1,158	1,432	1,065	936	1,000
Freight/te	1,061	1,090	1,188	1,117	1,145
Employees/te	335	300	315	345	331
Others/te	774	775	798	811	757
Opex/te (Blended)	3,991	4,367	4,207	4,036	4,070
EBITDA/te (Blended)	1,093	901	1,016	1,109	1,126

Source: Company, YES Sec

Exhibit 5: Key Estimate Revision

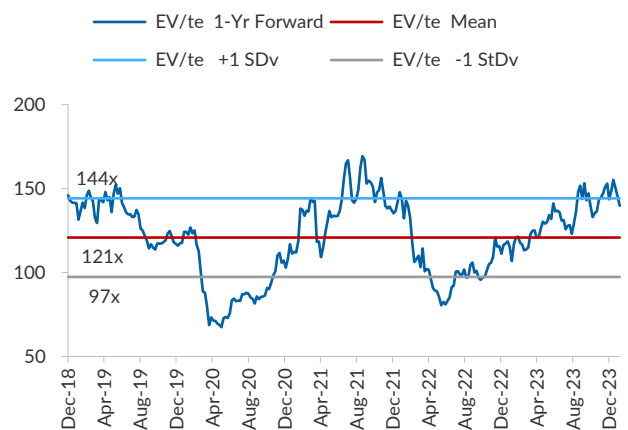
	FY24E			FY25E		
	Old	New	Change	Old	New	Change
Revenues	155,022	145,863	-6%	174,020	170,071	-2%
EBITDA	31,769	28,380	-11%	38,200	36,657	-4%
PAT	10,373	8,638	-17%	11,913	12,727	7%
EPS	56.1	46.7	-17%	64.4	68.8	7%

Exhibit 6: 1-yr forward EV/EBITDA band



Source: Company, YES Sec

Exhibit 7: 1-yr forward EV/te (\$) band



Source: Company, YES Sec

FINANCIALS

Exhibit 8: Balance Sheet (Console)

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	370	370	370	370	370
Reserves	160,240	155,910	163,808	175,795	190,371
Net worth	160,610	156,280	164,178	176,165	190,741
Other LT Liabilities	2,020	2,590	2,590	2,590	2,590
LT provision.	1,810	2,360	2,360	2,360	2,360
Minority interest	720	1,160	1,160	1,160	1,160
Long-term Borrowing	19,220	32,100	64,100	72,100	70,100
Deferred tax liabilities. (net)	15,870	16,340	16,340	16,340	16,340
Current Liabilities					
Trades Payables	8,500	11,350	9,776	10,163	11,540
Short-term Borrowing	11,970	5,320	8,510	11,882	13,957
Other current liabilities	25,330	27,090	27,090	27,090	27,090
Short Term Provision	860	840	840	840	840
Total Liabilities	246,910	255,430	296,944	320,690	336,718
Assets					
Total Net Block	105,340	114,230	154,422	173,188	174,133
CWIP & Other Assets	46,470	52,320	54,570	56,820	68,544
Investments	13,050	5,890	5,890	5,890	5,890
Other Non-current Asset	6,930	9,490	9,490	9,490	9,490
Deferred tax asset (net)	-	-	-	-	-
Current Assets					
Inventories	9,450	13,160	13,542	15,486	17,561
Trades Receivables	6,730	7,000	7,499	8,314	9,540
Other current assets	57,240	50,410	50,410	50,410	50,410
Short Term Loans & advances	100	80	80	80	80
Cash & Bank Balances	1,600	2,850	1,041	1,012	1,069
Total Assets	246,910	255,430	296,944	320,690	336,718

Source: Company, YES Sec

Exhibit 9: Income statement (Console)

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenue	112,860	135,400	145,863	170,071	192,460
EBITDA	24,260	23,160	28,380	36,657	41,709
D&A	12,350	13,050	14,818	16,384	17,331
EBIT	11,910	10,110	13,562	20,273	24,378
Interest Expense	2,020	2,340	3,576	5,089	5,881
Other Income	1,600	1,380	1,532	1,786	1,925
Exceptional/EO items	20	1,440	-	-	-
EBT	11,520	13,250	11,517	16,970	20,421
Tax	3,150	2,420	2,879	4,242	5,105
Share of Profit/(Loss) in JV/Associates	50	5,540	-	-	-
Reported PAT	8,370	10,830	8,638	12,727	15,316
Less: Minority Interest	290	440	-	-	-
Adj. PAT	8,160	10,350	8,638	12,727	15,316

Source: Company, YES Sec

Exhibit 10: Cash Flow (Console)

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Cash flow from operation	7,980	31,340	21,001	26,740	30,722
Profit before tax	11,310	12,770	11,517	16,970	20,421
Depreciation	12,350	13,050	14,818	16,384	17,331
Tax paid	(3,150)	(2,420)	(2,879)	(4,242)	(5,105)
Working capital Δ	(12,740)	7,460	(2,455)	(2,372)	(1,925)
Other operating items	210	480	-	-	-
Cash flow from Investing Activities	(18,670)	(30,350)	(57,260)	(37,400)	(30,000)
Capital expenditure	(17,840)	(27,790)	(57,260)	(37,400)	(30,000)
Change in other non-current assets	(830)	(2,560)	-	-	-
Free cash flow	(9,860)	3,550	(36,259)	(10,660)	722
Cash flow from Financing activities	9,820	260	34,450	10,632	(665)
Change in Equity & Reserves	25,805	(13,495)	-	-	-
Investments	(5,650)	7,160	-	-	-
Debt financing/disposal	(5,890)	6,230	35,190	11,372	75
Dividends paid	(1,665)	(1,665)	(740)	(740)	(740)
Other items	(2,780)	2,030	-	-	-
Net Δ in cash	(870)	1,250	(1,809)	(29)	57

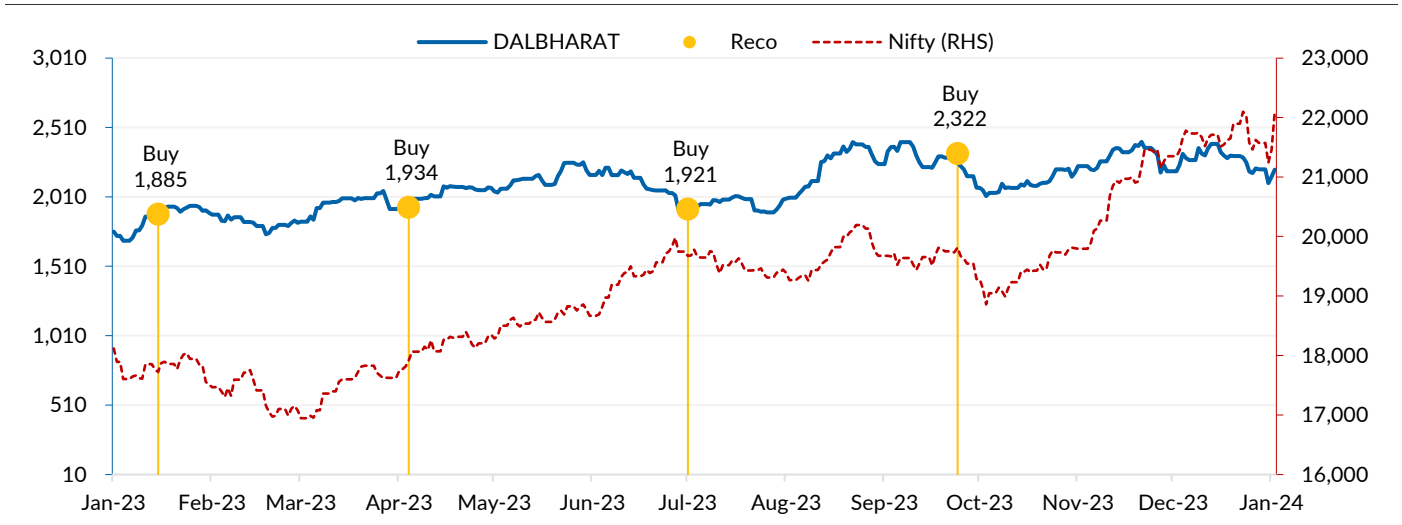
Source: Company, YES Sec

Exhibit 11: Ratio Analysis (Console)

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
Growth matrix (%)					
Revenue	12%	20%	8%	17%	13%
EBITDA	-12%	-5%	23%	29%	14%
EBT	-15%	15%	-13%	47%	20%
RPAT	-29%	29%	-20%	47%	20%
Adj. EPS	-29%	29%	-20%	47%	20%
Profitability ratios (%)					
EBITDA (%)	21%	17%	19%	22%	22%
EBIT (%)	12%	8%	10%	13%	14%
PAT (%)	7%	8%	6%	7%	8%
ROCE	7%	6%	6%	8%	9%
ROE	5%	7%	5%	7%	8%
ROA	7%	8%	5%	6%	7%
Per share ratios (Rs)					
EPS	45	59	47	69	83
DPS	9.0	9.0	4.0	4.0	4.0
Cash EPS	112	129	127	157	176
BVPS	868	845	887	952	1,031
Payout (%)					
Dividend payout	20%	15%	9%	6%	5%
Tax payout	27%	18%	25%	25%	25%
Liquidity ratios					
Inventory days	56	50	50	50	50
Payable days	58	48	48	48	48
Receivables days	19	19	19	19	19
Leverage ratios (x)					
Interest Coverage	6.7	4.9	4.2	4.3	4.5
Net D/E	0.2	0.2	0.4	0.5	0.4
Net Debt/EBITDA	1.2	1.5	2.5	2.3	2.0

Source: Company, YES Sec

Recommendation Tracker



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Registration Nos.: CIN: U74992MH2013PLC240971 | SEBI Single
Registration No.: NSE, BSE, MCX & NCDEX : INZ000185632 | Member
Code: BSE - 6538, NSE - 14914, MCX - 56355 & NCDEX - 1289 | CDSL &
NSDL: IN-DP-653-2021 | MERCHANT BANKER: INM000012227 |
RESEARCH ANALYST: INH000002376 | INVESTMENT ADVISER:
INA000007331 | Sponsor and Investment Manager to YSL Alternates
Alpha Plus Fund (CAT III AIF) SEBI Registration No.: IN/AIF3/20-21/0818 |
AMFI ARN Code - 94338.

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DISCLOSURE OF INTEREST

Name of the Research Analyst : Abhishek Lodhiya, Sonu Upadhyay

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

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3	Research Analyst or his/her relative or YSL has any other material conflict of interest at the time of publication of the Research Report	No
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Analyst Signature

Analyst Signature

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Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

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