

July 22, 2024

RESULT REPORT Q1 FY25 | Sector: Cement

# Dalmia Bharat

## Unclear expansion plan and Jaypee Assets issue leads to valuation change

### Result Synopsis

**Dalmia Bharat (DALBHARA) reported weak set of numbers in 1QFY25, which could have been better. Revenue remained flattish YoY (-15.9% QoQ) mainly due to lower volume of 7.4mt (+5.7% YoY/ -15.9% QoQ) and lower realization of Rs4893/tn (-5.5% YoY/ flattish QoQ). Avg. capacity utilization stood low at 64% in 1QFY25 vs. 66% in FY24. EBITDA in absolute number improved by 9.7% YoY (+2.3% QoQ), while EBITDA margin stood at 18.5% in 1QFY25 vs. 15.2%/ 16.8% in 4QFY24/ 1QFY24. EBITDA/tn on blended basis stood at Rs904 (+3.7% YoY/ +21.6% QoQ). On QoQ basis, there is jump in EBITDA/tn mainly led by sharp decline in RM Cost/tn by 26.4% QoQ and marginal decline in Freight cost/ Other expenses per tonne by 3.2%/ 4.6% QoQ. While P&F cost/tn increased by 14% QoQ. Overall Opex/tn down by 7.4% YoY and 3.9% QoQ. Adj. PAT grew by 8.5% YoY but declined by 55.2% QoQ, and the QoQ decline is mainly due to lower other income coupled with Rs1.13bn exceptional charges on account of Jaypee Asset's claim with IRP.**

**At present, few issues discourage the valuation multiples in near-term i.e., 1). Jaypee Assets tolling arrangements, 2). Unclear road map for capacity expansion plan to become 110-130mtpa by FY30 and it may take 12months time for final blueprint, 3). Low-capacity utilization (64% vs. Industry ~70%) and 4). Weak pricing environment due to competitive intensity among larger players. We don't see higher volume addition in FY25E but can expect additional volume in FY26E from Lanka & Bihar units which is expected to be commissioned by end of FY25E. We cut our Revenue/ EBITDA/ PAT estimations by -10%/ -19%/ -34% for FY26E mainly due to 1). Pricing pressure, 2). Low-capacity utilization and 3). Unclear expansion plans. We are valuing the stock at 13x EV/EBITDA (Earlier 15x EV/EBITDA) with a TP of Rs2,103 (Earlier 2,933) which leads to change our recommendation to ADD (Earlier BUY).**

### Result Highlights

- Revenue Rs36.2bn (flattish YoY/ - 16% QoQ), is ~13% below our est. of Rs42bn. EBITDA Rs6.7bn (+10% YoY/ +2% QoQ), is 7% above our est. of Rs6.3bn. Adj. PAT Rs1.4bn (+8% YoY/ - 55% QoQ), is ~5.3% below our est. of Rs1.5bn.
- Volumes 7.4mt (+6% YoY/ -16% QoQ), is ~15% below our est. of 8.69mt. While Realization Rs4893/tn (-5% YoY/ flattish QoQ), is ~2% above our est. Rs4796.
- EBITDA/tn Rs904 (+4% YoY/ +22% QoQ), is ~25% above our est. of Rs738 - Mainly due to lower volume and flattish realization.
- There is no significant improvement in the P&F cost/ Freight cost on per tonne basis. Though there were no busy season railway surcharges and spike in diesel price, freight cost/tn has merely decline by ~3%

### Exhibit 1: Actual vs estimates

Rs Mn	Actual	Estimate		% Variation		Remarks
		YSec	Consensus	YSec	Consensus	
Sales	36,210	41,662	35,905	(13.1)	0.8	Lower than expected volume and flattish realization missed the estimates
EBITDA	6,690	6,279	5,642	6.6	18.6	
Margin (%)	18.5	15.1	15.7	341 bps	276 bps	
Rept. PAT	1,410	1,489	1,438	(5.3)	(1.9)	

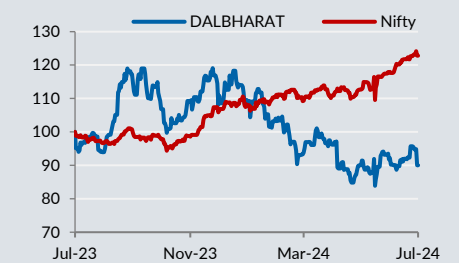
Source: Company, YES Sec

Reco	: ADD
CMP	: Rs 1,773
Target Price	: Rs 2,103
Potential Return	: +19%

### Stock data (as on Jul 22, 2024)

Nifty	24,509
52 Week h/l (Rs)	2431 / 1651
Market cap (Rs/USD mn)	359501 / 4298
Outstanding Shares (mn)	188
6m Avg t/o (Rs mn):	871
Div yield (%):	0.5
Bloomberg code:	DALBHARA IN
NSE code:	DALBHARAT

### Stock performance



	1M	3M	1Y
Absolute return	-2.8%	-9.6%	-7.7%

### Shareholding pattern (As of Jun'24 end)

Promoter	55.9%
FII+DII	23.1%
Others	21.0%

### Δ in stance

(1-Yr)	New	Old
Rating	ADD	BUY
Target Price	2103	2933

### Δ in earnings estimates

	FY25E	FY26E
EPS (New)	45.1	53.7
EPS (Old)	68.2	81.8
% Change	-34%	-34%

### Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Revenue	146,910	160,075	173,175
Growth	9%	9%	8%
EBITDA	26,390	29,390	33,714
Margin	18%	18%	19%
Adj PAT	8,260	8,456	10,075
Growth	-21%	-1%	19%
EPS	45.5	45.1	53.7
ND/EBITDA	1.5	1.6	1.3
ROE	5%	5%	6%
ROCE	5%	5%	5%
EV/EBITDA	16.7	13.2	11.4

### GIRIJA SHANKAR RAY

Lead Analyst

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## Exhibit 2: Quarterly snapshot (Console)

Particulars (Rs m)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	y/y (%)	q/q (%)	FY24	FY23	y/y (%)
Net Revenue	36,240	31,490	36,000	43,070	36,210	(0.1)	(15.9)	146,910	135,400	8.5
Total Expenses	30,140	25,600	28,250	36,530	29,520	(2.1)	(19.2)	120,520	112,240	7.4
COGS	5,660	5,330	6,260	9,780	6,050	6.9	(38.1)	27,030	19,810	36.4
Employee Expenses	2,220	2,260	2,210	2,020	2,280	2.7	12.9	8,710	7,710	13.0
Power & fuel	9,020	6,980	7,260	7,900	7,570	(16.1)	(4.2)	31,160	36,790	(15.3)
Freight Exp	8,090	6,310	7,430	10,200	8,300	2.6	(18.6)	32,030	28,020	14.3
Other Expenses	5,150	4,720	5,090	6,630	5,320	3.3	(19.8)	21,590	19,910	8.4
EBITDA	6,100	5,890	7,750	6,540	6,690	9.7	2.3	26,390	23,160	13.9
EBITDA (%)	16.8%	18.7%	21.5%	15.2%	18.5%	164 bps	329 bps	18.0%	17.1%	86 bps
D&A	3,990	4,010	3,700	3,280	3,170	(20.6)	(3.4)	14,980	13,050	14.8
Other Income	570	850	640	1,200	500	(12.3)	(58.3)	3,150	1,380	128.3
Interest Expense	830	1,010	1,080	940	950	14.5	1.1	3,860	2,340	65.0
Exceptional/EO items	-	-	-	-	1,130	-	-	-	1,440	(100.0)
Share JV/Associates	-	-	-	-	-	-	-	-	5,540	(100.0)
EBT	1,850	1,720	3,610	3,520	1,940	4.9	(44.9)	10,700	13,250	(19.2)
Tax	410	480	950	320	490	19.5	53.1	2,160	2,420	(10.7)
Reported PAT	1,440	1,240	2,660	3,200	1,450	0.7	(54.7)	8,540	10,830	(21.1)
Less: Minority Interest	140	50	30	50	40	(71.4)	(20.0)	270	440	(38.6)
Adj. PAT	1,300	1,180	2,630	3,150	1,410	8.5	(55.2)	8,260	10,350	(20.2)

Source: Company, YES Sec

## Exhibit 3: Quarterly Operational Performance Analysis (Console)

Particulars (Rs m)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	y/y (%)	q/q (%)	FY24	FY23	y/y (%)
Total Volumes (MMT)	7.0	6.2	6.8	8.8	7.4	5.7	(15.9)	28.8	25.7	12.1
NSR/te (Blended)	5,177	5,079	5,294	4,894	4,893	(5.5)	(0.0)	5,101	5,268	(3.2)
RM/te	809	860	921	1,111	818	1.1	(26.4)	939	771	21.8
Employees/te	317	365	325	230	308	(2.8)	34.2	302	300	0.8
Power/te	1,289	1,126	1,068	898	1,023	(20.6)	14.0	1,082	1,432	(24.4)
Freight/te	1,156	1,018	1,093	1,159	1,122	(2.9)	(3.2)	1,112	1,090	2.0
Others/te	736	761	749	753	719	(2.3)	(4.6)	750	775	(3.2)
Opex/te (Blended)	4,306	4,129	4,154	4,151	3,989	(7.4)	(3.9)	4,185	4,367	(4.2)
EBITDA/te (Blended)	871	950	1,140	743	904	3.7	21.6	916	901	1.7

Source: Company, YES Sec

## KEY CON-CALL HIGHLIGHTS & ANALYSIS

- **Targeting to become ~110-130mt capacity by 2031:** At present management don't have any clear roadmap for capacity expansion, which is expected to be announced in next 12 months. And short-term target to reach 75mt by FY27E from the current installed capacity of 46.6mt.

*"We believe adding 9-10mtpa per year don't look feasible until unless there is an inorganic acquisition, although they have limestone minings are in Central/ North region, land acquisition would take much time for greenfield expansion. And in general, greenfield expansion takes ~2-2.5years. Also, inorganic acquisition may see high competitions among larger players, therefore we believe having a better asset in the demand rich region's Dalmia may face issues."*
- **Volume growth expected 14% YoY in FY25E:** Tolling arrangements with Jaypee Assets: There are couple of other players are also opting for Jaypee Assets (9.5mtpa in central India) including Dalmia Bharat. As of now, there is a tolling arrangement of raw material from Jaypee Assets to Dalmia Bharat.

*"We believe, the pro-long arbitration issue on Dala Super with UltraTech. And Adani's intention to buy Jaypee Assets (as per the media report) may be a challenge for Dalmia Bharat to gain market share in central region."*
- **While key regional prices were dropped by 3-3.5%, the realization remain flattish on QoQ for Dalmia Bharat.** This is mainly led by better product mix and brand positioning. And management expect marginal price hike is possible in 3QFY25.

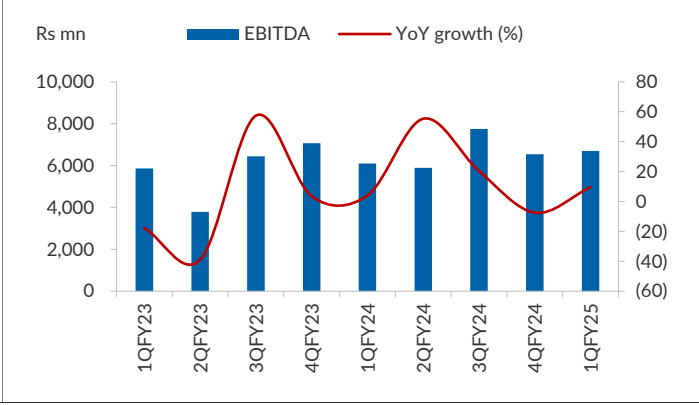
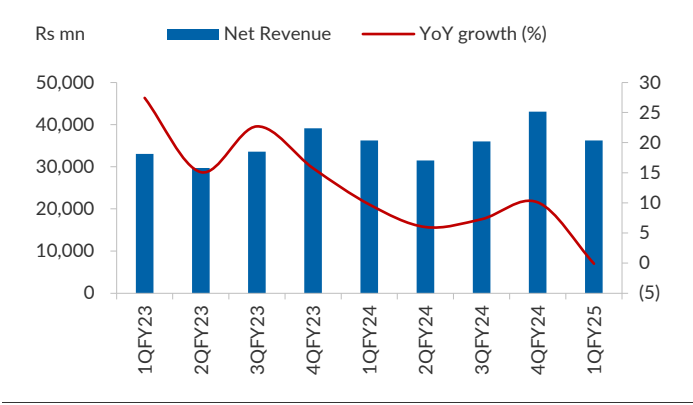
*"We believe, it may take few more quarters for price hike due to increase in competitive intensity in the industry, even though there is a price hike it may not sustain for long."*
- **Management has guided a volume growth of 12% YoY FY25E,** which is resulting a 32-33mt at 69-70% capacity utilization in FY25E.

*"We believe there is a less chances of 70% avg. capacity utilization as southern region (~37% Installed capacity of Dalmia) CUR is low due to oversupply issue followed by eastern region (55% installed capacity of Dalmia). It looks difficult for higher volumes, until unless there is any significant volume through tolling arrangement from Jaypee Assets coupled with any meaningful demand uptick."*
- **Capex guidance is Rs3500-4000Cr in FY25E,** this includes growth + maintenance capex. In 1QFY25, total capex done is Rs660Cr. The growth capex is mainly for its upcoming Northeast + Bihar expansion of 2.9mt (2.4 Green Filed Expansion at Lanka + 0.5mt brown field GU at Bihar). The plants are expected to commission by end of FY25E. So, we can expect the volume addition from FY26E.
- **Debt level remains at comfort zone:** As on 1QFY25, total Gross Debt/ Net Debt stood at Rs4613Cr/ Rs445Cr. And Net Debt-EBITDA stood at 0.17x. The Net Debt including IEX investment of Rs2403Cr. And management would sell the IEX investment to fund the proposed expansion.
- **Company is targeting to have a Rs150-200/tn cost saving over next 3 years:** In 1QFY25, P&F cost/tn decline by 21% YoY led by 1). Higher usage of green energy (Renewable Energy share at 35% in 1QFY25 and targeting to 50% by FY25E). 2). Ease in energy cost (USD152 in 1QFY24 vs. USD 106 in 1QFY25/ avg fuel consumption is Rs1.38/Kcal). ~127MW of renewable power (Solar + Wind) purchase agreement to save energy consumptions by FY25E/FY26E. Reduction in logistic cost mainly led by sharp decline in lead distance to 272kms.
- **~Rs300Cr of incentive for FY25E:** - Rs74/ Rs45 Incentive accrued/ collected with a closing incentive outstanding of Rs734Cr.

**QUATERLY CHARTS & ANALYSIS**

**Exhibit 4: Revenue down ~16% QoQ due to lower volume and realization**

**Exhibit 5: EBITDA up by 9.7% YoY (+2.3% QoQ) led by improved cost efficiency**

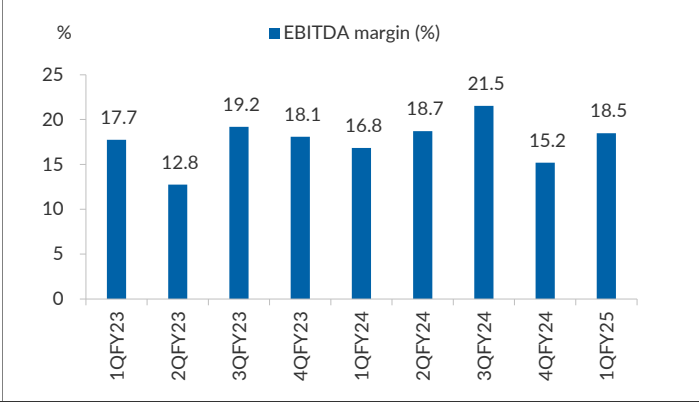
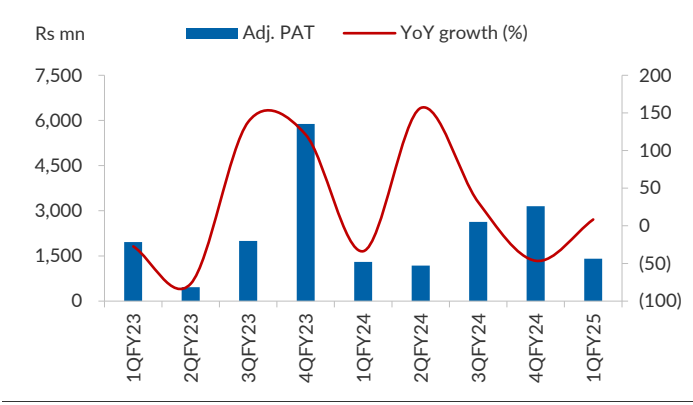


Source: Company, YES Sec

Source: Company, YES Sec

**Exhibit 6: Impact of lower other income and exceptional charges**

**Exhibit 7: Margin expansion led by lower RM cost coupled with operating leverage benefit.**

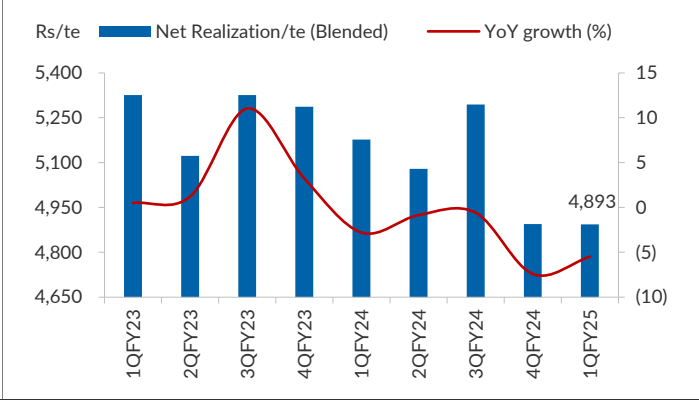
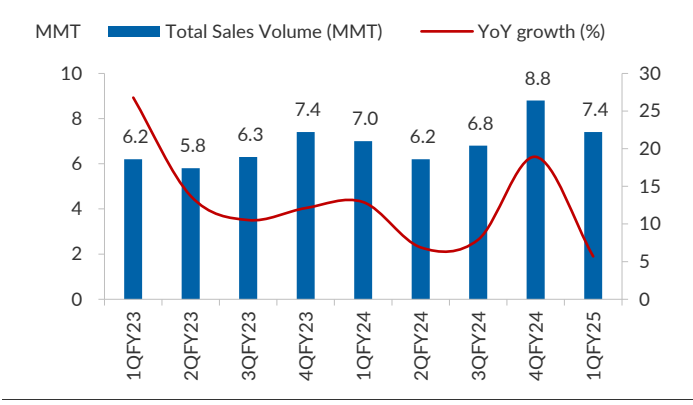


Source: Company, YES Sec

Source: Company, YES Sec

**Exhibit 8: Lower volume due to election impact and loss of market share in key market regions**

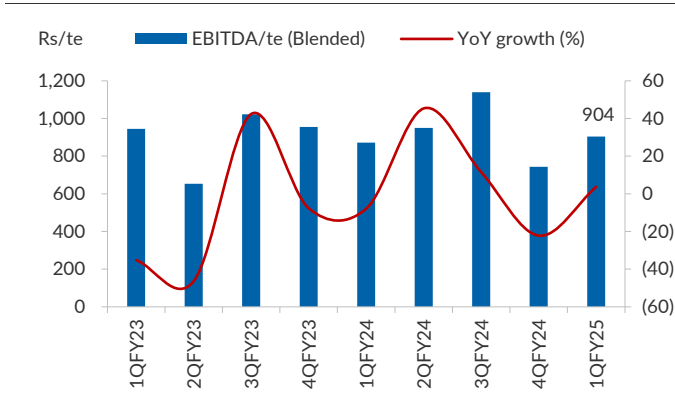
**Exhibit 9: NSR remains flattish on QoQ despite having weak pricing across the geography**



Source: Company, YES Sec

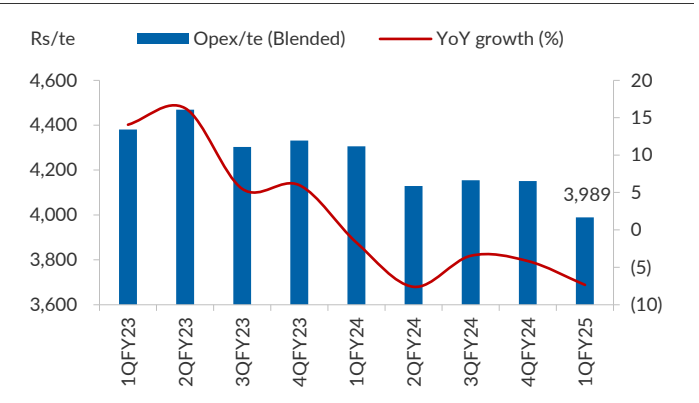
Source: Company, YES Sec

**Exhibit 10: Lower volumes resulted higher EBITDA/te**



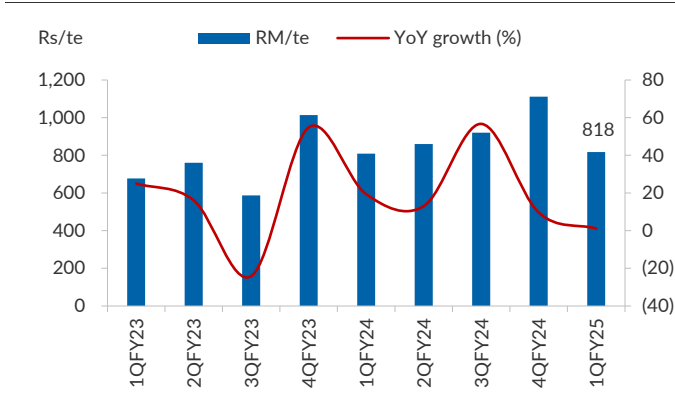
Source: Company, YES Sec

**Exhibit 11: Opex/te down by 7.4%/ 3.9% on YoY/ QoQ mainly led by significant drop in RM cost**



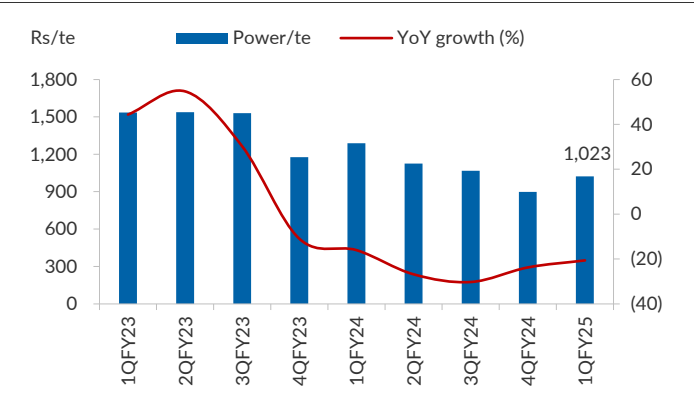
Source: Company, YES Sec

**Exhibit 12: RM cost/te up by 1.1% YoY and down by 26.4% QoQ**



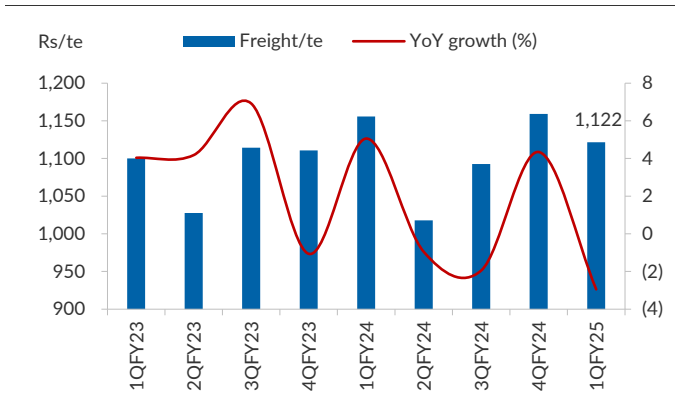
Source: Company, YES Sec

**Exhibit 13: P&F up by 14% QoQ despite ease in international pet-coke and coal prices**



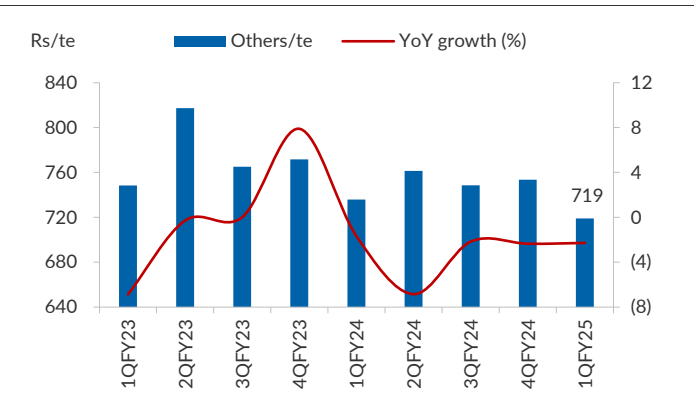
Source: Company, YES Sec

**Exhibit 14: Freight cost merely down by 3.2% QoQ despite having a stable diesel prices and reduction in lead distance to 272 in 1QFY25 from 289 in 4QFY24**



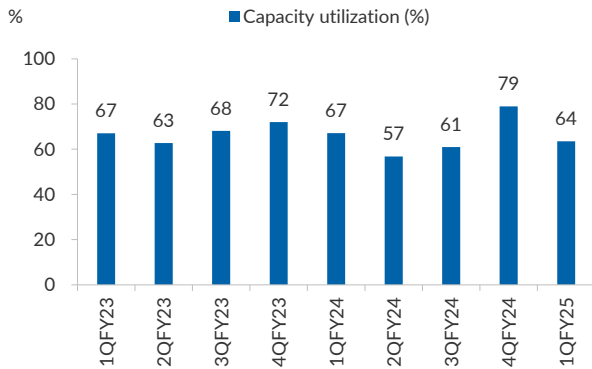
Source: Company, YES Sec

**Exhibit 15: Other exp/te down by 2.3%/4.6% on YoY/ QoQ basis**



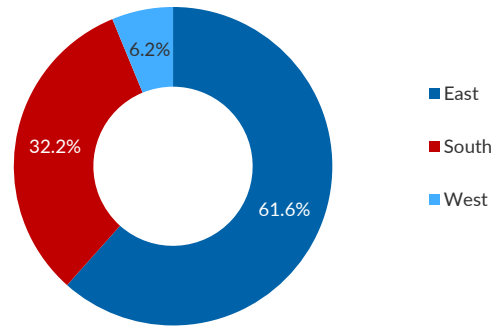
Source: Company, YES Sec

**Exhibit 16: Capacity utilization lower than industry standard due to higher exposure into East & South regions**



Source: Company, YES Sec

**Exhibit 17: Regional Mix as on date and expected to add 2.4mtpa/ 0.5mtpa in North East/ Eastern region by end of FY25E**



Source: Company, YES Sec

**Exhibit 18: Capacity expansion update**

Expansion Plan (Cement)	Cement (mtpa)	Status
As on 1QFY25 (excl. Jaypee Assets)	46.6	
Adding:		
Kalyanpur, Bihar (Brownfield)	0.5	Commissioning by 4QFY25
Lanka, Assam (Green Field)	2.4	Commissioning by 4QFY25

Expansion Plan (Clinker)	Clinker (mtpa)	Status
As on 1QFY25	22.6	
Adding:		
South	0.3	Commissioning by FY25
East	0.6	Commissioning by FY25
North East	3.6	Commissioning by FY26

Source: Company, YES Sec

**Exhibit 19: Annual Operational Performance Estimates (Console)**

Particulars (Rs m)	FY22	FY23	FY24	FY25E	FY26E
Total Volumes (MMT)	22.20	25.70	28.80	31.24	33.52
Utilization (%)	62%	62%	63%	67%	68%
Cement Realization/te	4,956	5,141	5,224	5,145	5,196
Net Realization/te (Blended)	5,084	5,268	5,101	5,124	5,167
RM/te	663	771	939	967	1,005
Power/te	1,158	1,432	1,082	1,052	987
Freight/te	1,061	1,090	1,112	1,117	1,122
Employees/te	335	300	302	305	312
Others/te	774	775	750	742	735
Opex/te (Blended)	3,991	4,367	4,185	4,183	4,161
EBITDA/te (Blended)	1,093	901	916	941	1,006

Source: Company, YES Sec

## Exhibit 20: Key Estimate Revision

	FY25E			FY26E		
	Old	New	Change	Old	New	Change
Revenues	170,071	160,075	-6%	192,460	173,175	-10%
EBITDA	36,657	29,390	-20%	41,709	33,714	-19%
PAT	12,727	8,304	-35%	15,316	9,763	-36%
EPS	68.2	44.3	-35%	81.8	52.1	-36%

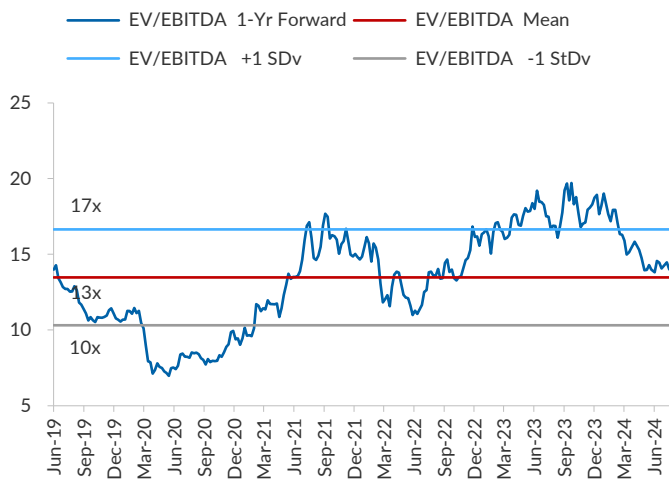
Source: Company, YES Sec

## Exhibit 21: Valuation Summary

Valuation	Rs mn
FY26E EBITDA (Rs mn)	33,714
Target Multiple (x)	13
EV (Rs mn)	438,285
Less: Net Debt (Rs mn)	43,892
Equity Value (Rs mn)	394,393
No of Shares (in mn)	188
Value of shares (Rs)	2,103
CMP (Rs)	1,773
Upside / (downside)	19%

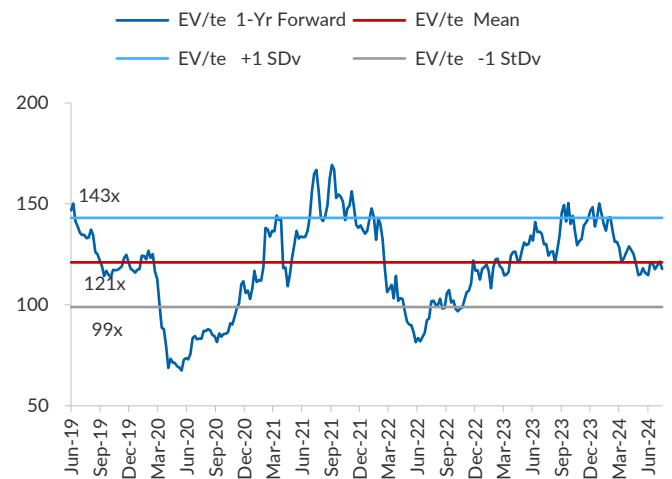
Source: Company, YES Sec

## Exhibit 22: 1-yr forward EV/EBITDA band



Source: Company, YES Sec

## Exhibit 23: 1-yr forward EV/te (\$) band



Source: Company, YES Sec

## FINANCIALS

### Exhibit 24: Balance Sheet (Console)

Y/e 31 Mar (Rs m)	FY22	FY23	FY24	FY25E	FY26E
Equity capital	370	370	380	380	380
Reserves	160,240	155,910	163,590	170,359	178,745
<b>Net worth</b>	<b>160,610</b>	<b>156,280</b>	<b>163,970</b>	<b>170,739</b>	<b>179,125</b>
Other LT Liabilities	2,020	2,590	2,780	2,781	2,783
LT provision.	1,810	2,360	2,640	2,645	2,651
Minority interest	720	1,160	1,100	1,100	1,100
Long-term Borrowing	19,220	32,100	44,310	45,310	42,810
Deferred tax liabilities. (net)	15,870	16,340	17,950	17,950	17,950
<b>Current Liabilities</b>					
Trades Payables	8,500	11,350	13,160	12,808	13,793
Short-term Borrowing	11,970	5,320	1,990	2,011	1,980
Other current liabilities	25,330	27,090	28,780	29,124	29,474
Short Term Provision	860	840	810	802	794
<b>Total Liabilities</b>	<b>246,910</b>	<b>255,430</b>	<b>277,490</b>	<b>285,270</b>	<b>292,459</b>
<b>Assets</b>					
Total Net Block	130,900	138,660	149,330	175,956	185,223
CWIP & Other Assets	20,910	27,890	31,940	23,100	19,100
Investments	13,050	5,890	5,900	5,900	5,900
Other Non-current Asset	6,930	9,490	11,760	11,760	11,760
Deferred tax asset (net)	-	-	-	-	-
<b>Current Assets</b>					
Inventories	9,450	13,160	12,180	12,721	13,466
Trades Receivables	6,730	7,000	8,360	8,044	8,732
Other current assets	57,240	50,410	52,110	47,178	47,290
Short Term Loans & advances	100	80	90	90	90
Cash & Bank Balances	1,600	2,850	5,820	520	897
<b>Total Assets</b>	<b>246,910</b>	<b>255,430</b>	<b>277,490</b>	<b>285,270</b>	<b>292,459</b>

Source: Company, YES Sec



## Exhibit 25: Income statement (Console)

Y/e 31 Mar (Rs m)	FY22	FY23	FY24	FY25E	FY26E
<b>Net Revenue</b>	112,860	135,400	146,910	160,075	173,175
<b>EBITDA</b>	24,260	23,160	26,390	29,390	33,714
D&A	12,350	13,050	14,980	17,214	19,734
<b>EBIT</b>	11,910	10,110	11,410	12,176	13,981
Interest Expense	2,020	2,340	3,860	3,885	3,777
Other Income	1,600	1,380	3,150	2,985	3,229
Exceptional/EO items	20	1,440	-	-	-
<b>EBT</b>	11,520	13,250	10,700	11,275	13,433
Tax	3,150	2,420	2,160	2,819	3,358
Share of Profit/(Loss) in JV/Associates	50	5,540	-	-	-
<b>Reported PAT</b>	8,370	10,830	8,540	8,456	10,075
Less: Minority Interest	290	440	270	-	-
<b>Adj. PAT</b>	8,160	10,350	8,260	8,456	10,075

Source: Company, YES Sec

## Exhibit 26: Cash Flow (Console)

Y/e 31 Mar (Rs m)	FY22	FY23	FY24	FY25E	FY26E
<b>Cash flow from operation</b>	7,980	31,340	24,900	30,361	29,589
Profit before tax	11,310	12,770	10,420	11,275	13,433
Depreciation	12,350	13,050	14,980	17,214	19,734
Tax paid	(3,150)	(2,420)	(2,160)	(2,819)	(3,358)
Working capital $\Delta$	(12,740)	7,460	1,380	4,690	(219)
Other operating items	210	480	280	-	-
<b>Cash flow from Investing Activities</b>	(18,670)	(30,350)	(31,970)	(35,000)	(25,000)
Capital expenditure	(17,840)	(27,790)	(29,700)	(35,000)	(25,000)
Change in other non-current assets	(830)	(2,560)	(2,270)	-	-
<b>Free cash flow</b>	(9,860)	3,550	(4,800)	(4,639)	4,589
<b>Cash flow from Financing activities</b>	9,820	260	10,040	(660)	(4,213)
Change in Equity & Reserves	25,805	(13,473)	838	-	-
Investments	(5,650)	7,160	(10)	-	-
Debt financing/disposal	(5,890)	6,230	8,880	1,021	(2,531)
Dividends paid	(1,665)	(1,687)	(1,688)	(1,688)	(1,688)
Other items	(2,780)	2,030	2,020	7	7
<b>Net <math>\Delta</math> in cash</b>	(870)	1,250	2,970	(5,300)	377

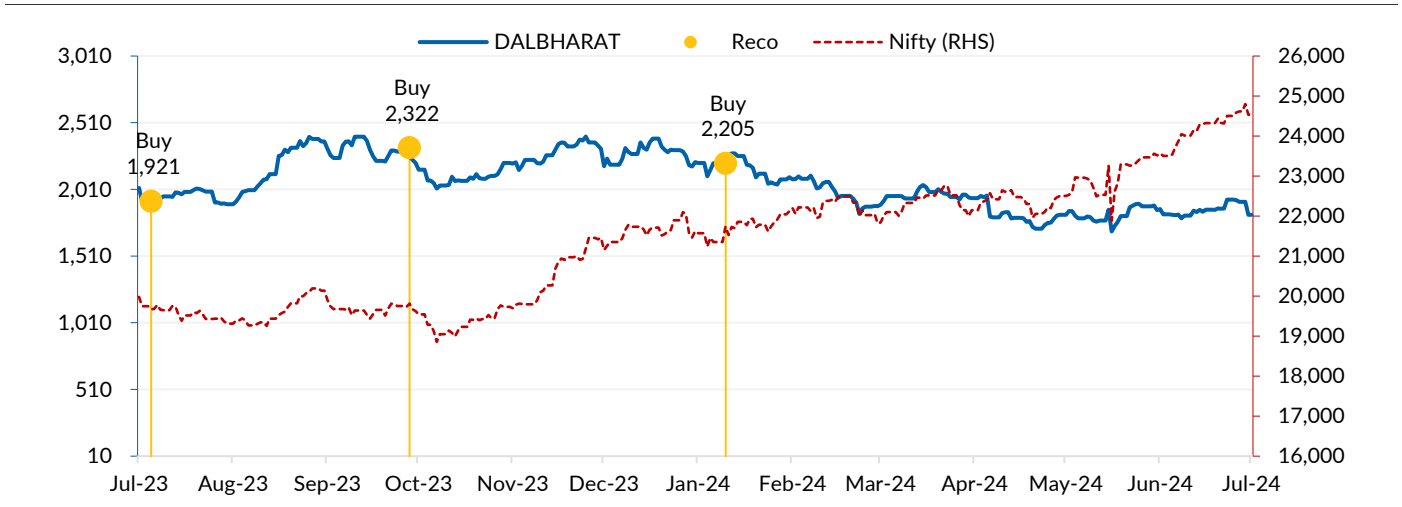
Source: Company, YES Sec

## Exhibit 27: Ratio Analysis (Console)

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
<b>Growth matrix (%)</b>					
Revenue	12	20	9	9	8
EBITDA	(12)	(5)	14	11	15
EBT	(15)	15	(19)	5	19
RPAT	(29)	29	(21)	(1)	19
Adj. EPS	(29)	28	(21)	(1)	19
<b>Profitability ratios (%)</b>					
EBITDA Margin	21	17	18	18	19
EBIT Margin	12	8	10	9	10
PAT Margin	7	8	6	5	6
ROCE	5	5	5	5	5
ROE	6	7	5	5	6
ROA	6	7	5	5	5
<b>Per share ratios (Rs)</b>					
EPS	45	58	46	45	54
DPS	9.0	9.0	9.0	9.0	9.0
Cash EPS	112	127	125	137	159
BVPS	868	834	874	910	955
<b>Payout (%)</b>					
Dividend payout	20	16	20	20	17
Tax payout	27	18	20	25	25
<b>Liquidity ratios</b>					
Inventory days	56	50	41	35	35
Payable days	58	48	58	58	58
Receivables days	19	19	19	19	19
<b>Leverage ratios (x)</b>					
Interest Coverage	6.7	4.9	3.8	3.9	4.6
Net D/E	0.2	0.2	0.2	0.3	0.2
Net Debt/EBITDA	1.2	1.5	1.5	1.6	1.3

Source: Company, YES Sec

## Recommendation Tracker



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