

Dalmia Bharat Ltd.

BUY

Sector: Cement

25th November 2024

Key Changes	Target ▼	Rating ●	Earnings ▼	Target	Rs. 2,080
Stock Type	Bloomberg Code	Sensex	NSE Code	CMP	Rs. 1,807
Mid Cap	DALBHARA:IN	79,117	DALBHARAT	Return	+15%
			BSE Code		
			Time Frame		
			542216		
			12 Months		

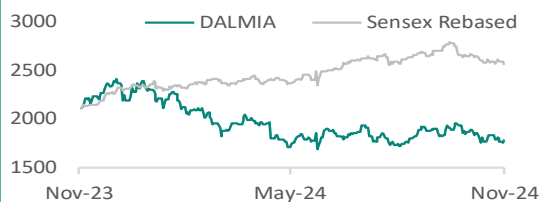
Data as of: 22-11 2024

Company Data	
Market Cap (Rs.cr)	33,890
52 Week High — Low (Rs.)	2429-1664
Enterprise Value (Rs.cr)	34,892
Outstanding Shares (cr)	18.8
Free Float	43%
Dividend Yield	0.5%
6m average volume (cr)	0.05
Beta	1.3
Face value Rs.	2

Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	55.8	55.8	55.8
FII's	11.4	9.4	8.9
MFs/Insti	12.6	13.6	14.6
Public	10.4	11.8	10.7
Others	9.8	9.3	10.0
Total	100.0	100.0	100.0
Promotor pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	3.5%	-0.2%	-15.3%
Absolute Sensex	-0.5%	6.8%	21.2%
Relative Return*	4.0%	-7.0%	-36.5%

*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	14,680	14,959	16,611
Growth (%)	8.4	1.9	11.0
EBITDA	2,628	2,538	3,273
EBITDA Margin (%)	17.9	17.0	19.7
Adj. PAT	827	728	1,088
Growth (%)	26.5	-12.0	49.4
Adj. EPS	44.1	38.8	58.0
Growth (%)	26.4	-12.0	49.4
P/E	41.0	46.5	31.1
P/B	2.1	2.0	1.9
EV/EBITDA	13.3	14.2	11.2
ROE (%)	5.2	4.3	6.2
D/E	0.4	0.4	0.4

Author: Vincent K A - Sr. Research Analyst

Cement demand and price to improve in 2HFY25

Dalmia Bharat Ltd. (DBL) is one of India's largest cement companies, with a capacity of ~47MT; mainly focusing on South (17MT) and East & North East (29MT).

- Q2FY25 revenue declined by 2% YoY despite an increase in volumes of ~8% YoY due to a drop in realisation of 9% YoY. The cement prices declined during Q2 due to weak demand scenario owing to monsoons and an increase in the non-trade mix.
- EBITDA fell by ~26% YoY as EBITDA margin declined by 460bps YoY to 14.1% due to higher freight and other expenses.
- EBITDA/tonne fell by 32% YoY to Rs. 648. The company guides for Rs. 1,100-1,200/tonne EBITDA over the long-term.
- DBL expects a reduction in costs of Rs. 150-200 per ton in the next 3 years by increasing renewable power, using captive coal mines, and reducing logistics costs.
- The acquisition of JP assets (9.4MT) has been halted due to JP's insolvency proceedings under NCLT. This will delay the medium-term capacity target of 75MT by 1 year to FY28.

Outlook & Valuation

Demand outlook remains positive given the likely expedition in government infrastructure & housing projects in H2FY25. Moreover, the real estate cycle is on a multi-year upswing and private capex is gaining momentum. Sticking to its ambition of becoming a pan India player, Dalmia aims to reach 110-130 mtpa by FY31. The company has given guidance of growing at 1.5x the industry's volume growth. This implies a double digit volume growth for the company in H2FY25. A gradual recovery in prices is expected in H2FY25, which is likely to aid improvement in margins. The stock currently trades at 1Yr Fwd EV/EBITDA of ~12x. **We value at 12x Sept 2026E EV/EBITDA (2Yr avg=12x) and arrive at a target price of Rs. 2,080, maintain BUY rating considering expected improvement in cement price and recent correction in stock price.**

Quarterly Financials Consol.

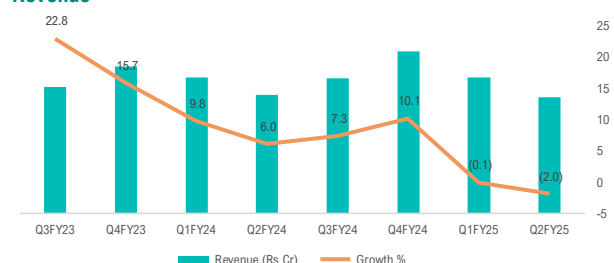
Rs.cr	Q2FY25	Q2FY24	YoY Growth	Q1FY25	QoQ Growth	H1FY25	H1FY24	YoY Growth
Sales	3,087	3,149	-2.0	3,621	-14.7	6,708	6,773	-1.0
EBITDA	434	589	-26.3	669	-35.1	1,103	1,199	-8.0
Margin (%)	14.1	18.7	-460bps	18.5	-440bps	16.4	17.7	-130bps
EBIT	98	188	-47.9	352	-72.2	450	399	12.8
PBT	73	172	-57.6	194	-62.4	267	357	-25.2
Rep. PAT	46	118	-61.0	145	-68.3	191	248	-23.0
Adj PAT	46	118	-61.0	258	-82.2	304	248	22.6
EPS (Rs)	2.5	6.3	-61.0	13.8	-82.2	16.2	13.3	22.6



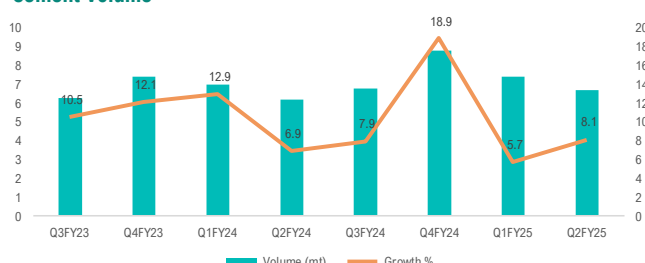
Key Highlights...

- Cement demand (industry) is estimated to have grown at 2-3% y-o-y in H1FY25. H2 is expected to see a good bounce back and could grow around 8% YoY with a full year growth of around 6%.
- Government spending on infra has been just 27% of the budgeted allocation in FY2025 till August, while it was 39% YoY.
- As the tolling operations at Jaypee have been discontinued, the central markets were serviced from Eastern plants leading to an increase in freight costs.
- Higher other expenses are primarily due to the higher number of shutdowns of plants and increase in packing and material handling costs linked to the increase in sales volume.
- Power and fuel costs declined 6% YoY to Rs1,055/tonne, mainly due to \$26 decline in the fuel consumption cost to about \$101 on a YoY basis.
- In Q2, accrued incentives were Rs. 61 crore, while it anticipates incentives totaling Rs. 300 crore in FY25.

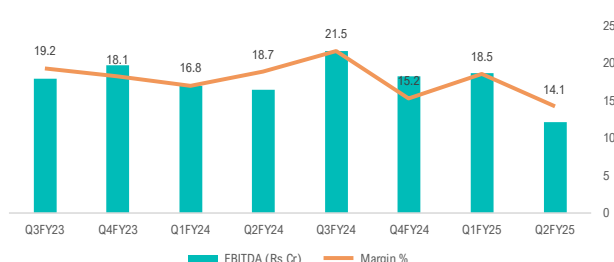
Revenue



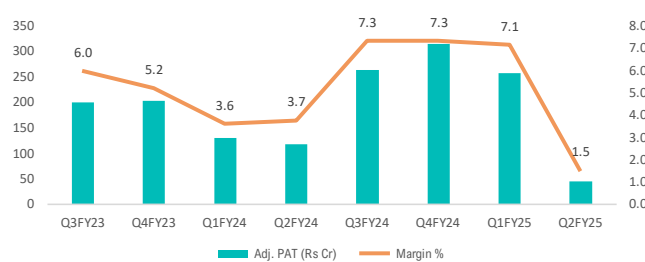
Cement Volume



EBITDA



PAT



Per Tonne Analysis

	Q2FY25	Q2FY24	YoY Growth	Q1FY25	QoQ Growth
Cement Volume (MT)	6.7	6.2	8.1	7.4	-9.5
Cost of materials consumed	664	860	-22.7	818	-18.8
Employee Expenses	327	364.5	-10.3	308	6.1
Power & Fuel	1055	1,126	-6.3	1023	3.2
Freight & forwarding	1099	1,018	7.9	1122	-2.1
Other expenses	815	761	7.0	719	13.4
Total expenses	3960	4,129	-4.1	3989	-0.7
Realisation (inc. RMC)	4607	5079.0	-9.3	4893	-5.8
EBITDA	648	950	-31.8	904	-28.3

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	15,652	16,900	14,959	16,611	-4.4	-1.7
EBITDA	2,915	3,444	2,538	3,273	-12.9	-5.0
Margins (%)	18.6	20.4	17.0	19.7	-180bps	-110bps
Adj. PAT	1,004	1,199	728	1,088	-27.5	-9.3
EPS	53.5	64.0	38.8	58.0	-27.4	-9.4



Consolidated Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	10,522	11,277	13,540	14,680	14,959	16,611
% change	8.8	7.2	20.1	8.4	1.9	11.0
EBITDA	2,783	2,413	2,316	2,628	2,538	3,273
% change	32.1	-13.3	-4.0	13.5	-3.4	28.9
Depreciation	1,262	1,237	1,305	1,498	1,413	1,597
EBIT	1,521	1,176	1,011	1,130	1,126	1,676
Interest	295	194	232	386	439	474
Other Income	182	154	136	326	268	263
PBT	1,408	1,136	771	1,070	841	1,465
% change	294.4	-19.3	-32.1	38.8	-21.4	74.2
Tax	165	-31	242	216	210	366
Tax Rate	11.7%	-2.7%	31.4%	20.2%	25.0%	25.0%
Reported PAT	1,231	1,138	1,039	827	615	1,088
Adj*	0	0	385	0	-113	0
Adj PAT	1,231	1,138	654	827	728	1,088
% change	454.5	-7.6	-42.5	26.5	-12.0	49.4
No. of shares (cr)	18.7	18.7	18.7	18.8	18.8	18.8
Adj EPS (Rs.)	65.8	60.8	34.9	44.1	38.8	58.0
% change	471.7	-7.6	-42.6	26.4	-12.0	49.4
DPS (Rs.)	2	2	2	2	2	2
CEPS (Rs.)	133.2	126.9	104.5	124.0	114.1	143.2

CASH FLOW

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	2,493	2,375	2,344	2,325	2,028	2,685
Non-cash adj.	120	-103	-321	132	210	366
Other adjustments	231	181	296	157	342	108
Changes in W.C	752	-515	-77	46	148	-118
C.F. Operation	3,596	1,935	2,252	2,635	2,727	3,041
Capital exp.	-1038	-1756	-2701	-2723	-3500	-3000
Change in inv.	639	539	0	0	0	0
Other invest.CF	123	75	77	134	0	0
C.F – Investment	-276	-1,142	-2,624	-2,589	-3,500	-3,000
Issue of equity	-400	5	0	0	0	0
Issue/repay debt	-2,966	-847	370	437	1,069	-273
Dividends paid	0	-100	-169	-169	-44	-44
Other finance.CF	0	0	-33	-46	0	0
C.F – Finance	-3366	-942	168	222	1025	-317
Chg. in cash	-46	-55	94	107	253	-276
Closing cash	258	140	234	341	594	318

BALANCE SHEET

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	258	140	234	341	594	318
Accounts Receivable	688	673	700	836	820	865
Inventories	924	945	1,316	1,218	1,224	1,354
Other Cur. Assets	1,320	1,200	2,165	1,589	1,655	1,811
Investments	3,414	5,704	3,524	4,462	4,462	4,462
Gross Fixed Assets	14,955	16,678	18,717	21,295	26,579	29,579
Net Fixed Assets	10,119	10,799	11,610	12,893	16,908	18,448
CWIP	938	1,036	1,859	2,284	500	500
Intangible Assets	3,694	3,375	3,186	2,950	2,806	2,669
Def. Tax (Net)	-1,634	-1,635	-1,610	-1,758	-1,758	-1,758
Other Assets	455	600	925	1,139	963	1,070
Total Assets	20,176	22,837	23,909	25,954	28,174	29,739
Current Liabilities	3,904	3,111	3,523	3,898	3,727	3,942
Provisions	335	606	591	588	656	728
Debt Funds	3,060	3,176	3,855	4,805	6,305	6,505
Other Liabilities	251	257	312	266	405	438
Equity Capital	37	37	37	38	38	38
Reserves & Surplus	12,589	15,650	15,591	16,359	17,044	18,088
Shareholder's Fund	12,626	15,687	15,628	16,397	17,081	18,126
Total Liabilities	20,176	22,837	23,909	25,954	28,174	29,739
BVPS (Rs.)	531	701	703	745	782	837

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return						
EBITDA margin (%)	26.4	21.4	17.1	17.9	17.0	19.7
EBIT margin (%)	14.5	10.4	7.5	7.7	7.5	10.1
Net profit mgn.(%)	11.7	10.1	4.8	5.6	4.9	6.5
ROE (%)	10.6	8.0	4.2	5.2	4.3	6.2
ROCE (%)	8.1	7.5	3.0	4.5	3.8	4.7
W.C & Liquidity						
Receivables (days)	18.8	22.0	18.5	19.1	20.2	18.5
Inventory (days)	32.9	30.2	30.5	31.5	29.8	28.3
Payables (days)	99.4	85.9	64.0	76.9	83.5	79.0
Current ratio (x)	1.3	1.5	1.7	1.8	1.9	1.8
Quick ratio (x)	0.2	0.2	0.2	0.3	0.3	0.3
Turnover & Leverage						
Gross asset T.O (x)	0.8	0.7	0.8	0.7	0.6	0.6
Total asset T.O (x)	0.5	0.5	0.6	0.6	0.6	0.6
Int. coverage ratio (x)	5.2	6.1	4.4	2.9	2.6	3.5
Adj. debt/equity (x)	0.3	0.3	0.3	0.4	0.4	0.4
Valuation						
EV/Sales (x)	3.3	2.9	2.6	2.4	2.4	2.2
EV/EBITDA (x)	12.3	13.3	15.1	13.3	14.2	11.2
P/E (x)	27.5	29.7	51.8	41.0	46.5	31.1
P/BV (x)	2.7	2.2	2.2	2.1	2.0	1.9



Recommendation Summary (last 3 years)



Source: Bloomberg, Geojit Research

Dates	Rating	Target
13-Sep-22	Accumulate	1,950
28-Nov-22	Accumulate	2,010
15-Feb-23	Accumulate	2,214
5-May-23	HOLD	2,220
28-Jul-23	Buy	2,234
1-Nov-23	Buy	2,416
14-May-24	Buy	2,094
12-Sep-24	Buy	2,165
25-Nov-24	Buy	2,080

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%


Not rated/Neutral


Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

 Upgrade

 No Change

 Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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