

**Mixed Performance, Delay in expansion plans**

Q1FY25 Result Update | Sector: Cement | July 19, 2024

**ACCUMULATE**

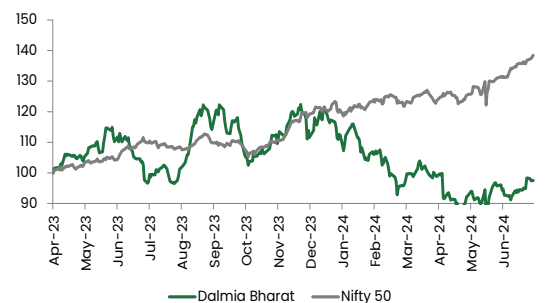
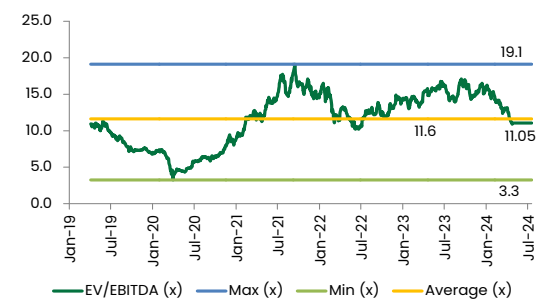
<b>CMP (Rs)</b>	<b>1,834</b>
<b>Target Price (Rs)</b>	<b>1,960</b>
<b>Potential Upside</b>	<b>6.9%</b>
<b>Sensex</b>	80,670
<b>Nifty</b>	24,541

**Key Stock data**

<b>BSE Code</b>	542216
<b>NSE Code</b>	DALBHARAT
<b>Bloomberg</b>	DALBHARA:IN
<b>Shares o/s, Cr (FV 2)</b>	19.0
<b>Market Cap (Rs Cr)</b>	34,311
<b>3M Avg Volume</b>	3,11,06,349
<b>52 week H/L</b>	2,431/1,651

**Shareholding Pattern**

(%)	Dec-23	Mar-24	Jun-24
<b>Promoter</b>	55.8	55.8	55.8
<b>FII</b>	13.0	11.4	11.4
<b>DII</b>	11.2	12.8	12.6
<b>Others</b>	20.0	20.0	20.2

**1 year relative price performance**

**1 year Forward EV/EBITDA (x)**

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**Muted Volume performance:** Dalmia Bharat reported a revenue of ₹3,621 crores for Q1FY25, marking a 16% decline on a QoQ basis, while remaining relatively flat on a YoY basis. The weak demand across markets, attributed to the recent elections, led to a 15.9% reduction in volumes QoQ. Due to these realizations remained subdued, showing a 5.5% decline YoY and remaining flat QoQ at around ₹4,894 per ton. Looking ahead, the management anticipates an improvement in sector demand, supported by capacity expansion and increased utilization levels.

**Operating performance a miss:** The company's gross profit decreased by 1.4% YoY but grew by 9.4% QoQ, driven by a 38% QoQ reduction in material costs, which improved margins by 600 basis points sequentially. The reduction in fuel costs, freight, forwarding costs, and other expenses led to a 9.7% YoY and 2.3% QoQ improvement in EBITDA. The EBITDA margin also increased to 18.5%, up 164 basis points YoY and 329 basis points QoQ. Consequently, EBITDA per ton rose by 3.07% YoY and 21.6% QoQ to ₹904 per ton. However, the company's PAT for the quarter declined by 54.7% QoQ due to provisions made for JP Associates' assets, as JP Associates has been admitted to the Corporate Insolvency process.

**Key highlights:** 1) The current cement capacity is 46.6 MT (up from 45.6 MT as of June 30), and clinker capacity stands at 22.6 MT, with a 2 MT increase in capacity during the quarter. 2) The JP Associates deal, which was progressing well, encountered a setback as the National Company Law Tribunal admitted JAL into the Corporate Insolvency Resolution Process during the June 2024 quarter. 3) This recent development with JP Associates has introduced uncertainty regarding the company's aggressive capacity targets, although management remains committed to its previously established goals. 4) For the current year, the company expects to incur ₹3,500 to ₹4,000 crores on capex, with ₹660 crores already spent in Q1FY25. Most of the capex will be used to expand current capacity and implement cost optimization measures, such as adding renewable capacity. 5) Cement prices have remained soft for the past 7-8 months, with a 2-3% QoQ decline. Election-related muted demand prevented any sustained price hikes by industry players. 6) For FY25, management expects to grow volumes by 12%, thereby gaining market share as well. 7) Cost optimization has not yet been fully achieved, so the company will continue to focus on this moving forward. 8) Management plans to improve utilization and capacity, invest in brands, and expand distribution to gain market share in areas where their presence is currently weak. 9) Current capacity utilization stands at 65%.

**Outlook & Valuation:** Dalmia Bharat reported mixed set of numbers with improved margins but subdued performance of volume growth and price realizations front. Going ahead, management remains positive on the growth prospects as there are strong opportunities in the cement sector driven by overall infrastructure development, strong demand from housing and real estate sector as well as private capex investment. The company would focus on driving volume led growth with improvement in realization, gaining market share. JP associates deal hitting a roadblock has created uncertainty regarding future growth hence we have reduced revenue and EBITDA growth expectations for FY25/26. On the financial front, we anticipate revenue and EBITDA to grow at a CAGR of 10.44% and 15.3%, respectively, over FY24-26E. Consequently, we have revised our rating to "**Accumulate**" but have lowered the target price to **₹1,960**.

**Financial Summary - consolidated**

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net revenue	13,552	14,691	16,775	17,920
EBITDA	2,328	2,639	3,119	3,511
EBITDAM (%)	17.2	18.0	18.6	19.6
APAT	1,083	854	1,113	1,449
APATM (%)	8.0	5.8	6.6	8.1
EPS (Rs)	58.5	44.9	58.6	76.3
EV/EBITDA	16.1	14.7	12.5	11.1
RoE (%)	7.2	5.2	6.4	7.8

Source : RBL Research

*Muted realizations and lower volume growth impacted the Net sales*

*EBITDA margins improved due to a reduction in fuel costs*

*Volume and Realization remain muted, while margins improved on account of reduction in Fuel cost*

**P&L Account Quarterly – consolidated**

Particulars, Rs cr	Q1FY25	Q1FY24	Y-o-Y (%)	Q4FY24	Q-o-Q (%)
<b>Net Sales</b>	<b>3,621.0</b>	<b>3,624.0</b>	<b>(0.1)</b>	<b>4,307.0</b>	<b>(15.9)</b>
Cost of Raw Materials	579.0	538.0	7.6	627.0	(7.7)
Purchase of Finished Goods	106.0	96.0	10.4	214.0	(50.5)
(Increase) / Decrease In Stocks	(80.0)	(68.0)	17.6	137.0	-
<b>Total Raw material cost</b>	<b>605.0</b>	<b>566.0</b>	<b>6.9</b>	<b>978.0</b>	<b>(38.1)</b>
<b>Gross Profit</b>	<b>3,016.0</b>	<b>3,058.0</b>	<b>(1.4)</b>	<b>3,329.0</b>	<b>(9.4)</b>
Gross Margins %	83.3	84.4	-109bps	77.3	600bps
Employee Cost	228.0	222.0	2.7	202.0	12.9
Fuel Cost	757.0	902.0	(16.1)	790.0	(4.2)
Freight & Forwarding	830.0	809.0	2.6	1,020.0	(18.6)
Other Expenses	532.0	515.0	3.3	663.0	(19.8)
<b>Total Expenditure</b>	<b>2,952.0</b>	<b>3,014.0</b>	<b>(2.1)</b>	<b>3,653.0</b>	<b>(19.2)</b>
<b>EBITDA</b>	<b>669.0</b>	<b>610.0</b>	<b>9.7</b>	<b>654.0</b>	<b>2.3</b>
EBITDA Margins (%)	18.5	16.8	164bps	15.2	329bps
Depreciation	317.0	399.0	(20.6)	328.0	(3.4)
EBIT	352.0	211.0	66.8	326.0	8.0
Other Income	50.0	57.0	(12.3)	120.0	(58.3)
Interest	95.0	83.0	14.5	94.0	1.1
PBT	307.0	185.0	65.9	352.0	(12.8)
Exceptional items	(113.0)	-	-	-	-
PBT	194.0	185.0	4.9	352.0	(44.9)
Tax	49.0	41.0	19.5	32.0	53.1
<b>Reported PAT</b>	<b>145.0</b>	<b>144.0</b>	<b>0.7</b>	<b>320.0</b>	<b>(54.7)</b>
PAT Margin (%)	4.0	4.0	3bps	7.4	-343bps
Adj. PAT	258.0	144.0	79.2	320.0	(19.4)
Adj. PAT Margin (%)	7.1	4.0	315bps	7.4	-30bps
EPS	7.5	7.8	(3.4)	16.8	(55.4)

Source : RBL Research

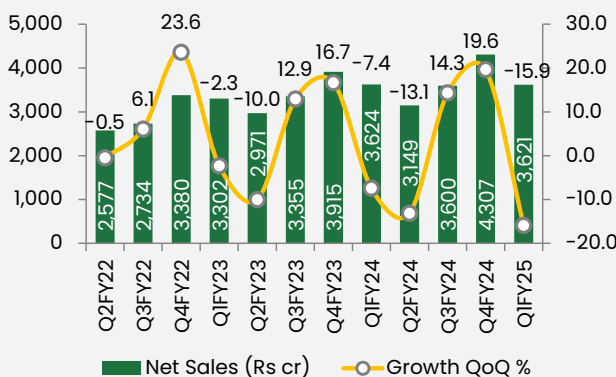
**Key Data**

Particulars	Q1FY25	Q1FY24	Y-o-Y (%)	Q4FY24	Q-o-Q (%)
Sales Volume (MT)	7.4	7.0	5.7	8.8	(15.9)
Realization/Ton (Rs)	4,893	5,177	(5.5)	4,894	(0.0)
EBITDA/Ton (Rs)	904	871	3.7	743	21.6
Total Cost/Ton (Rs)	3,989	4,306	(7.4)	4,151	(3.9)
Fuel Cost/Ton (Rs)	1,023	1,289	(20.6)	898	14.0
Frieght & Forwarding/Ton (Rs)	1,122	1,156	(2.9)	1,159	(3.2)

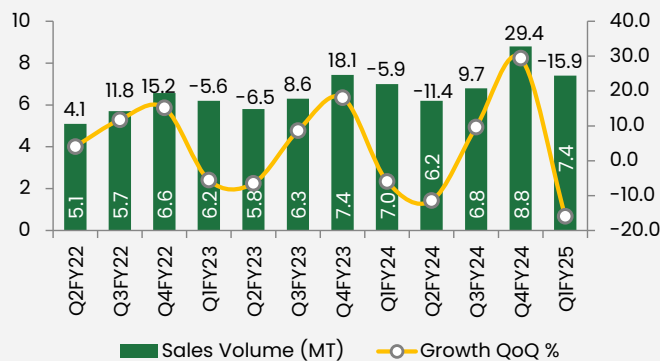
Source : RBL Research

Story in charts

Net Sales were flat YoY basis, while on QoQ basis it de-grew 15.9%

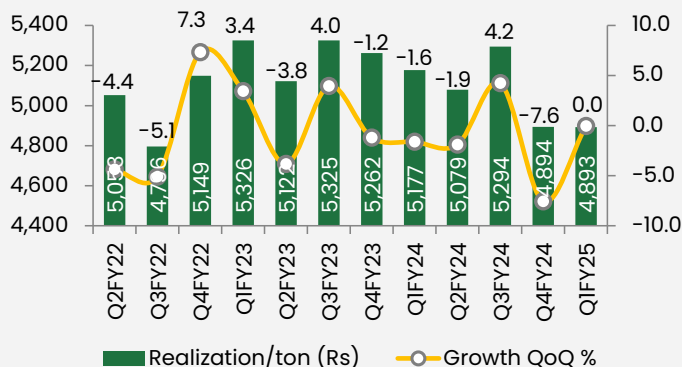


Volume increased by 5.7% YoY basis but saw a decline on QoQ by 15.9%

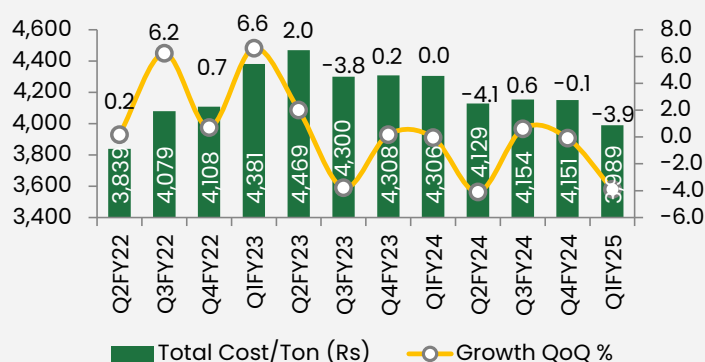


Source : RBL Research

Realization declined by 7.0% YoY while on QoQ basis they were flat.

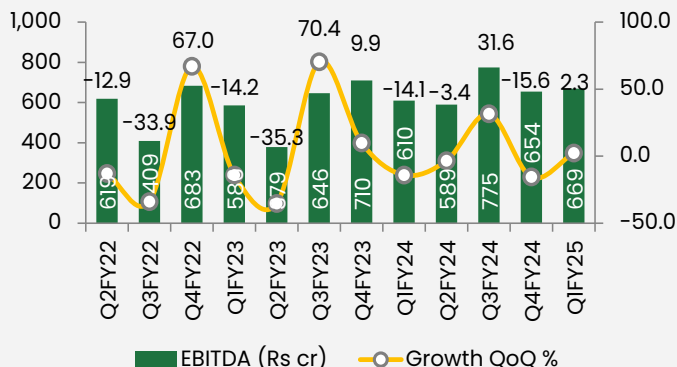


Total Cost/Ton declined by 7.35% YoY and 3.9% QoQ

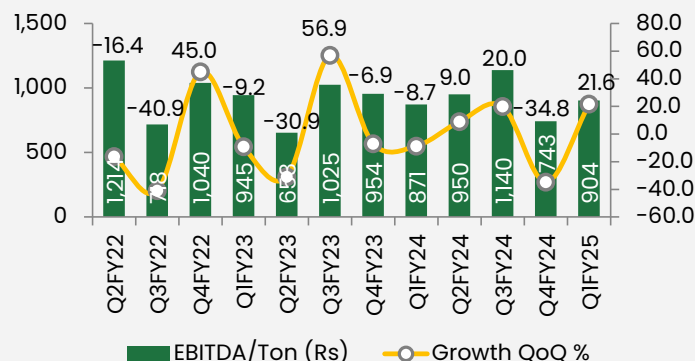


Source : RBL Research

EBITDA increased by 7.9% YoY and 15.6% QoQ

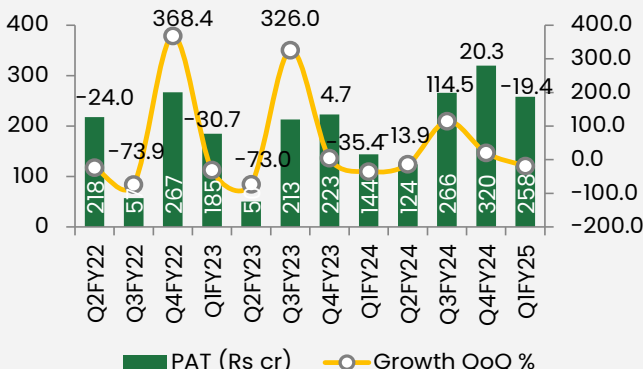


EBITDA/Ton saw uptick on QoQ /YOY basis by 21.6%/3.7%, respectively.

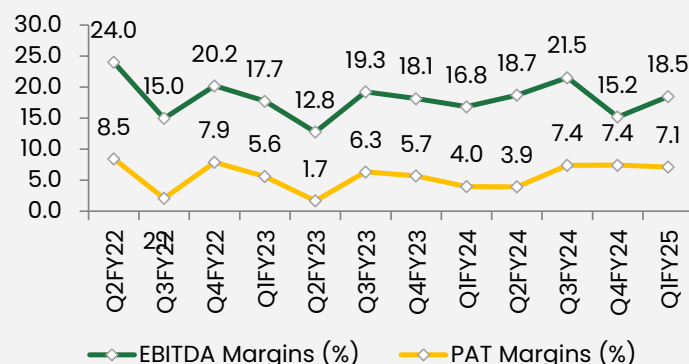


Source : RBL Research

PAT on QoQ basis declined by 19.4%



EBITDA & PAT margins in Q4FY24 were at 18.5% and 7.1%



Source : RBL Research

### P&L Account – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
<b>Net sales</b>	<b>13,552</b>	<b>14,691</b>	<b>16,775</b>	<b>17,920</b>
<b>Expenditure</b>				
Cost of materials	1,906	2,120	2,399	2,509
Purchase of stock in trade	52	567	554	538
(Increase) / Decrease In Stocks	23	16	18	20
<b>Total raw materials</b>	<b>1,981</b>	<b>2,703</b>	<b>2,971</b>	<b>3,066</b>
<b>Gross Profit</b>	<b>11,571</b>	<b>11,988</b>	<b>13,804</b>	<b>14,854</b>
Gross Margins %	85.4	81.6	82.3	82.9
Employee cost	771	871	1,090	1,165
Fuel cost	3,679	3,116	3,523	3,727
Other expenses	1,991	2,159	2,449	2,598
<b>Total expenditure</b>	<b>11,224</b>	<b>12,052</b>	<b>13,656</b>	<b>14,409</b>
<b>EBITDA</b>	<b>2,328</b>	<b>2,639</b>	<b>3,119</b>	<b>3,511</b>
EBITDAM (%)	17.2	18.0	18.6	19.6
Depreciation	1,305	1,498	1,610	1,613
PBIT	1,023	1,141	1,508	1,898
Other income	126	315	335	358
Interest expenses	234	386	399	374
PBT	915	1,070	1,445	1,882
Tax	242	216	332	433
<b>Reported PAT</b>	<b>673</b>	<b>854</b>	<b>1,113</b>	<b>1,449</b>
Exceptional Income / Ex-	410	-	-	-
PAT (after Exceptional)	1,083	854	1,113	1,449
PAT Margin %	8.0	5.8	6.6	8.1
EPS	58.5	44.9	58.6	76.3

Source : RBL Research

### Balance Sheet – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Share Capital	37	38	38	38
Reserves & Surplus	15,591	16,359	17,280	18,537
<b>Total Shareholder's Fund</b>	<b>15,628</b>	<b>16,397</b>	<b>17,318</b>	<b>18,575</b>
Minority Interest	116	110	110	110
Long term borrowings	3,210	4,431	4,529	3,942
Short term borrowing	532	199	218	215
<b>Total Debt</b>	<b>3,742</b>	<b>4,630</b>	<b>4,747</b>	<b>4,157</b>
Deferred tax liabilities	1,905	2,038	2,214	2,330
Long term provision	236	264	301	287
Other long term liabilities	259	278	317	323
<b>Total</b>	<b>2,400</b>	<b>2,580</b>	<b>2,833</b>	<b>2,939</b>
<b>Current Liabilities</b>				
Trade payables	1,135	1,316	1,503	1,605
Short term provisions	84	81	92	99
Other current liabilities	2,438	2,635	2,852	2,867
<b>Total</b>	<b>3,657</b>	<b>4,032</b>	<b>4,447</b>	<b>4,571</b>
<b>Total liabilities</b>	<b>25,543</b>	<b>27,749</b>	<b>29,455</b>	<b>30,353</b>
<b>Application of Assets</b>				
Net Block	14,065	15,316	16,283	17,392
Current work in process	1,859	2,284	2,284	2,284
Goodwill	730	527	527	527
Non current investment	590	590	755	896
Tax assets	164	140	160	171
Long term loans and advances	11	13	15	16
Other non-current assets	774	1,024	1,169	1,249
<b>Total</b>	<b>18,193</b>	<b>19,894</b>	<b>21,193</b>	<b>22,535</b>
<b>Current Assets</b>				
Current investments	2,935	3,872	3,942	3,763
Inventories	1,316	1,218	1,391	1,486
Trade receivables	700	836	919	982
Cash balance	234	341	307	(124)
Bank balance	51	241	267	267
Short term loans and advances	8	9	10	11
Other current assets	1,216	1,312	1,426	1,434
Assets or disposal group	890	26	-	-
<b>Total</b>	<b>7,350</b>	<b>7,855</b>	<b>8,262</b>	<b>7,818</b>
<b>Total assets</b>	<b>25,543</b>	<b>27,749</b>	<b>29,455</b>	<b>30,353</b>

Source : RBL Research

**Cashflow – consolidated**

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Profit before tax	1,321	1,069	1,445	1,882
Add: Depreciation	1,305	1,498	1,610	1,613
Add: Interest cost	231	386	399	374
Less: Other Income	(66)	(175)	(84)	(90)
Less: Dividend Income	(19)	(34)	(27)	(29)
Others	(429)	(101)	-	-
<b>Operating profit before</b>	<b>2,343</b>	<b>2,643</b>	<b>3,343</b>	<b>3,751</b>
Changes in working capital	(77)	46	130	(28)
Cash from Operations	2,266	2,689	3,473	3,723
Less: Taxes	(14)	(54)	(332)	(433)
<b>Cash flow from Operations</b>	<b>2,252</b>	<b>2,635</b>	<b>3,141</b>	<b>3,290</b>
<b>Net cash used in Investing</b>				
Fixed assets	(2,701)	(2,827)	(2,577)	(2,722)
Purchase of investments	331	134	(235)	38
Other & Dividend Income	77	134	111	118
Others	(33)	(191)	-	-
<b>Cash flow from investing</b>	<b>(2,326)</b>	<b>(2,750)</b>	<b>(2,702)</b>	<b>(2,566)</b>
<b>Cash flow from Financing</b>				
Proceeds from Equity shares	-	3	-	-
Purchase/Sales of borrowings	667	889	117	(590)
Dividend (Incl dividend tax)	(169)	(169)	(192)	(192)
Interest cost	(297)	(452)	(399)	(374)
Others	(33)	(49)	-	-
<b>Cash flow from Financing</b>	<b>168</b>	<b>222</b>	<b>(473)</b>	<b>(1,156)</b>
<b>Net cash Inflow/Outflow</b>	<b>94</b>	<b>107</b>	<b>(34)</b>	<b>(431)</b>
Opening cash	140	234	341	307
<b>Closing cash</b>	<b>234</b>	<b>341</b>	<b>307</b>	<b>(124)</b>

Source : RBL Research

**Key ratios – consolidated**

Particulars	FY23	FY24	FY25E	FY26E
<b>Per share Data</b>				
EPS (Rs)	58.5	44.9	58.6	76.3
Book value per share (Rs)	844.8	863.0	911.5	977.6
Dividend per share (Rs)	9.1	8.9	10.1	10.1
Dividend Yield (%)	0.5	0.5	0.6	0.6
Dividend Payout (%)	15.0	19.8	17.2	13.2
<b>Profitability Ratios</b>				
EBITDAM(%)	17.2	18.0	18.6	19.6
PBTM (%)	6.8	7.3	8.6	10.5
NPM (%)	8.0	5.8	6.6	8.1
RoE (%)	7.2	5.2	6.4	7.8
RoCE (%)	5.3	5.4	6.8	8.3
<b>Efficiency Data</b>				
Debt-Equity (x)	0.2	0.3	0.3	0.2
Debt/EBITDA (x)	1.6	1.8	1.5	1.2
Interest Cover (x)	4.4	3.0	3.8	5.1
Fixed Asset (x)	1.0	1.0	1.0	1.0
Debtors (Days)	18.9	20.8	20.0	20.0
Inventory (Days)	35.4	30.3	30.3	30.3
Payable (Days)	30.6	32.7	32.7	32.7
WC (Days)	23.7	18.3	17.6	17.6
<b>Valuation</b>				
P/E (x)	31.3	40.8	31.3	24.0
P/BV	2.2	2.1	2.0	1.9
EV/EBITDA	16.1	14.7	12.5	11.1
EV/Sales	2.8	2.6	2.3	2.2

Source : RBL Research

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**Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)**

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? <b>[If answer is yes, nature of Interest is given below this table]</b>		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

**Nature of Interest ( if answer to F (a) above is Yes :**

.....

**Name(s) with Signature(s) of RA(s).**

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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