

Retail Equity Research

Dalmia Bharat Limited

Cement

BSE CODE: 542216 NSE CODE: DALBHARAT
Bloomberg CODE: DALBHARA:IN SENSEX: 63,875

BUY

12 Months Investment Period Rating as per Mid Cap
CMP Rs. 2,100 TARGET Rs. 2,416 RETURN 15% ↑
(Closing: 31-10-23)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↑

Margin improves...capacity expansion on track...

Dalmia Bharat Ltd. (DBL) is India's fourth largest cement company, with a capacity of ~44MT; focusing on South (14.1MT), East & North-East (26.7MT) and West (2.9MT).

- We maintain our BUY rating with a revised target price of Rs. 2,416, considering the positive volume outlook and strong focus on expansion.
- Revenue grew by 6% YoY in Q2FY24, mainly helped by volume growth. However, operating profit increased by 55% YoY due to 590bps improvement in EBITDA margin, largely aided by fall in fuel costs.
- Towards cost efficiency, DBL has expanded its renewable energy capacity to 170MW (from 17MW in FY19), and targets 328MW by FY25.
- Ongoing expansion is on track to reach ~47MT by FY24. DBL has a long-term goal to become a pan-India player, with a capacity of 70 -75 MT by FY27 to 110-130 MT by FY31. This could be a major factor for re-rating.
- Additionally, DBL has signed a definitive agreement with Jaiprakash Associates for the acquisition of 9.4 MT of cement at an alluring EV of Rs 56.5 billion. This will give access to the central region.
- The company has guided for a capex of Rs.100bn during FY24-FY25 and net debt would be at Rs.30-40bn by FY24 with a D/E of 0.4x.
- Given the GoI's strong emphasis on housing & infrastructure, and pre-election spending, the demand outlook is favourable. We value DBL at 12.5x FY25E EV/EBITDA (2Yr Avg=12x).

Capacity expansion will support volume growth.

DBL reported revenue growth of 6%YoY, mainly aided by growth in volumes. The ongoing capacity expansion (addition of 8MT by FY24, excluding JP acquisition) and the ramp up in the recent acquisitions will support future volume growth. Recently, DBL has taken a price hike of Rs. 40-50 per bag in the east and ~Rs. 30 per bag in the south which will support revenue growth. Further, the premium segment mix improved to 22% vs. 21% QoQ. We factor in revenue growth of ~14% CAGR over FY23-25E, aided by capacity expansion and ramp up in recent acquisitions.

Margins improved due to fall in fuel price.

EBITDA grew by robust 55% YoY as the EBITDA margin improved by 590bps YoY to ~18.7% on account of fall in fuel price. Fuel prices corrected by ~\$60 per ton YoY, leading to a 26% YoY decline in Power & fuel costs. However, the raw material costs per ton increased by 13%YoY due to an increase in slag (+10%YoY) and fly ash (+5%YoY). EBITDA/ton improved to Rs. 950 vs. Rs.653 YoY (Rs. 871 QoQ). However, fuel prices have resurged again recently, but the company has taken price hike recently to mitigate the margin pressure. Further, DBL is increasing the green power mix and the capacity has increased to 170MW as of Q2FY24 from 63MW in FY22 and targets to 328MW by FY25 (expects the green mix to ~36% by FY24 from current 29% and target 100% by FY30 and savings would be ~Rs. 5-6 per unit). We expect EBITDA/Ton to improve to Rs. 1,060 in FY24 (Rs. 901 in FY23).

Valuation & Outlook:

DBL's strong capacity expansion plans to become a pan-India player (~56MT by FY24E, including JP acquisition, and a long-term target of ~70-75MT by FY27) while maintaining a healthy balance sheet should support a re-rating in valuation. The demand outlook is positive given GoI's strong focus on infra & housing and pre-election spending. The stock currently trades at 1Yr Fwd EV/EBITDA of ~12x. We value DBL at 12.5x (2Yr avg=12x) FY25E EV/EBITDA and arrived at a target price of Rs. 2,416, maintaining our BUY rating.

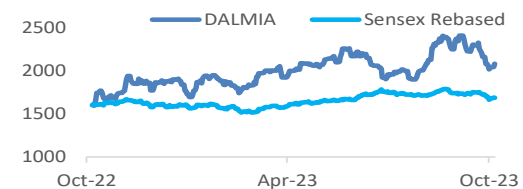
Company Data

Market Cap (Rs.cr)	39,291
Enterprise Value (Rs.cr)	40,388
Outstanding Shares (cr)	18.7
Free Float	42%
Dividend Yield	0.4%
52 week high (Rs.)	2,424
52 week low (Rs.)	1,579
6m average volume (cr)	0.03
Beta	1.3
Face value Rs.	2

Shareholding (%)	Q4FY23	Q1FY24	Q2FY24
Promoters	55.9	55.9	55.9
FII's	12.9	13.9	14.1
MFs/Insti	8.5	8.8	9.4
Public	11.4	10.8	10.3
Others	11.3	10.6	10.3
Total	100.0	100.0	100.0
Promotor pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	4.8%	2.7%	29.9%
Absolute Sensex	-2.7%	3.6%	5.3%
Relative Return*	7.5%	-0.9%	24.5%

*over or under performance to benchmark index



Consolidated (cr)	FY23A	FY24E	FY25E
Sales	13,540	15,016	17,494
Growth (%)	20.1	10.9	16.5
EBITDA	2,316	3,027	3,894
EBITDA Margin (%)	17.1	20.2	22.3
Adj. PAT	629	905	1,197
Growth (%)	-44.7	43.9	32.2
Adj. EPS	55.5	48.3	63.9
Growth (%)	-44.7	43.9	32.2
P/E	64.4	44.7	33.8
P/B	2.5	2.4	2.2
EV/EBITDA	17.4	14.3	11.3
ROE (%)	4.0	5.6	7.0
D/E	0.3	0.4	0.4

Vincent Andrews
Research Analyst

Quarterly Financials (Consolidated)

Profit & Loss

Rs (cr)	Q2FY24	Q2FY23	YoY Growth	Q1FY24	QoQ Growth	H1FY24	H1FY23	YoY Growth
Sales	3,149	2,971	6.0%	3,624	-13.1%	6,773	6,273	8.0%
EBITDA	589	379	55.4%	610	-3.4%	1,199	965	24.2%
EBITDA margins	18.7%	12.8%	590bps	16.8%	190bps	17.7%	15.4%	230bps
Depreciation	401	332	20.8%	399	0.5%	800	644	24.2%
EBIT	188	47	300.0%	211	-10.9%	399	321	24.3%
Interest	101	56	80.4%	83	21.7%	184	98	87.8%
Other Income	85	38	123.7%	57	49.1%	142	60	136.7%
Exceptional Items	0	0	0.0%	0	0.0%	0	0	0.0%
PBT	172	29	493.1%	185	-7.0%	357	281	27.0%
Tax	48	-21	-328.6%	41	17.1%	89	43	NA
Share of profit from associates	0	6	0.0%	0	0.0%	0	23	0.0%
Minority interest	5	1	0.0%	0	0.0%	19	10	0.0%
Reported PAT	118	46	156.5%	130	-9.2%	248	242	2.5%
Adjustments	0	9	0.0%	0	0.0%	0	9	0.0%
Adj PAT	118	55	114.5%	130	-9.2%	248	251	-1.2%
No. of Shares	18.7	18.7	0.2%	18.7	0.0%	18.7	18.7	0.2%
Adj EPS (Rs)	6.3	2.9	114.5%	6.9	-9.2%	13.3	13.4	-1.2%

Per Tonne Analysis

	Q2FY24	Q2FY23	YoY Growth	Q1FY24	QoQ Growth
Cement Volume (MT)	6.20	5.80	6.9%	7.00	-11.4%
Cost of materials consumed	860	760	13.1%	809	6.3%
Employee Expenses	365	326	11.9%	317	14.9%
Power & Fuel	1,126	1,538	-26.8%	1,289	-12.6%
Freight & forwarding	1,018	1,028	-1.0%	1,156	-11.9%
Other expenses	761	817	-6.8%	736	3.5%
Total expenses	4,129	4,469	-7.6%	4,306	-4.1%
Realisation (inc. RMC)	5,079	5,122	-0.8%	5,177	-1.9%
EBITDA	950	653	45.4%	871	9.0%

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	14,848	17,298	15,016	17,494	1.1%	1.1%
EBITDA	2,870	3,797	3,027	3,894	5.5%	2.6%
Margins (%)	19.3	22.0	20.2	22.3	(150bps)	(60bps)
Adj. PAT *	809	1,203	905	1,197	11.9%	-0.5%
EPS	43.2	64.3	48.3	63.9	11.8%	-0.7%



PROFIT & LOSS

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
Revenue	9,674	10,522	11,277	13,540	15,016	17,494
% change	2.0	8.8	7.2	20.1	10.9	16.5
EBITDA	2,106	2,783	2,413	2,316	3,027	3,894
% change	8.5	32.1	-13.3	-4.0	30.7	28.7
Depreciation	1,528	1,262	1,237	1,305	1,586	1,954
EBIT	578	1,521	1,176	1,011	1,441	1,940
Interest	438	295	194	232	360	453
Other Income	217	182	154	136	151	115
PBT	357	1,408	1,136	771	1,233	1,603
% change	8.2	294.4	-19.3	-32.1	59.9	30.1
Tax	119	165	-31	242	308	401
Tax Rate	33.3%	11.7%	-2.7%	31.4%	25.0%	25.0%
Reported PAT	222	1,231	1,138	1,039	905	1,197
Adj*	0	0	0	410	0	0
Adj PAT	222	1,231	1,138	629	905	1,197
% change	-25.8	454.5	-7.6	-44.7	43.9	32.2
No. of shares (cr)	19.3	18.7	18.7	18.7	18.7	18.7
Adj EPS (Rs.)	12	66	61	56	48	64
% change	-25.8	454.5	-7.6	-44.7	43.9	32.2
DPS (Rs.)	2.3	2.3	2.3	2.3	2.3	2.3
CEPS (Rs.)	90.7	133.2	126.9	103.2	132.9	168.1

CASH FLOW

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
Net inc. + Depn.	1,750	2,493	2,375	2,344	2,491	3,151
Non-cash adj.	139	120	-103	-321	327	406
Other adjustments	175	231	181	296	52	52
Changes in W.C	276	752	-515	-77	1034	-70
C.F. Operation	2,340	3,596	1,935	2,252	3,904	3,539
Capital exp.	-1,345	-1,038	-1,756	-2,701	-6,500	-3,500
Change in inv.	-490	639	539	0	1,000	500
Other invest.CF	75	123	75	77	0	0
C.F - Investment	-1,760	-276	-1,142	-2,624	-5,500	-3,000
Issue of equity	-3	-400	5	0	0	0
Issue/repay debt	-498	-2,966	-847	370	1,546	-451
Dividends paid	-93	0	-100	-169	-44	-44
Other finance.CF	0	0	0	-33	0	0
C.F - Finance	-594	-3,366	-942	168	1,503	-495
Chg. in cash	-14	-46	-55	94	-93	44
Closing cash	266	258	140	234	141	185

BALANCE SHEET

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
Cash	266	258	140	234	141	185
Accounts Receivable	397	688	673	700	782	911
Inventories	974	924	945	1,316	1,315	1,449
Other Cur. Assets	1,334	1,320	1,200	2,165	1,635	1,848
Investments	2,816	3,414	5,704	3,524	2,524	2,024
Gross Fixed Assets	12,362	14,955	16,678	18,717	26,076	29,576
Net Fixed Assets	8,587	10,119	10,799	11,610	17,446	19,054
CWIP	1,702	938	1,036	1,859	1,000	1,000
Intangible Assets	4,006	3,694	3,375	3,186	3,123	3,061
Def. Tax (Net)	-1,277	-1,634	-1,635	-1,610	-1,610	-1,610
Other Assets	529	455	600	925	720	839
Total Assets	19,334	20,176	22,837	23,909	27,057	28,738
Current Liabilities	3,377	3,904	3,111	3,523	3,742	4,111
Provisions	281	335	606	591	658	767
Debt Funds	4,850	3,060	3,176	3,855	5,755	5,755
Other Liabilities	265	251	257	312	412	461
Equity Capital	39	37	37	37	37	37
Reserves & Surplus	10,522	12,589	15,650	15,591	16,453	17,606
Shareholder's Fund	10,561	12,626	15,687	15,628	16,490	17,644
Total Liabilities	19,334	20,176	22,837	23,909	27,057	28,738
BVPS (Rs.)	403	531	701	703	749	810

RATIOS

Y.E March	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
Profitab. & Return						
EBITDA margin (%)	21.8	26.4	21.4	17.1	20.2	22.3
EBIT margin (%)	6.0	14.5	10.4	7.5	9.6	11.1
Net profit mgn.(%)	2.3	11.7	10.1	4.6	6.0	6.8
ROE (%)	2.1	10.6	8.0	4.0	5.6	7.0
ROCE (%)	2.7	8.1	7.5	2.9	4.3	5.2
W.C & Liquidity						
Receivables (days)	17.8	18.8	22.0	18.5	18.0	17.7
Inventory (days)	37.8	32.9	30.2	30.5	32.0	28.8
Payables (days)	89.4	99.4	85.9	64.0	75.8	76.9
Current ratio (x)	1.2	1.3	1.5	1.7	1.3	1.2
Quick ratio (x)	0.1	0.2	0.2	0.2	0.2	0.2
Turnover & Leverage						
Gross asset T.O (x)	0.8	0.8	0.7	0.8	0.7	0.6
Total asset T.O (x)	0.5	0.5	0.5	0.6	0.6	0.6
Int. coverage ratio (x)	1.3	5.2	6.1	4.4	4.0	4.3
Adj. debt/equity (x)	0.6	0.3	0.3	0.3	0.4	0.4
Valuation						
EV/Sales (x)	4.4	3.7	3.2	2.9	2.8	2.4
EV/EBITDA (x)	20.0	13.8	15.1	16.9	14.0	11.0
P/E (x)	177.2	32.0	34.6	62.5	43.4	32.8
P/BV (x)	3.7	3.0	2.4	2.4	2.3	2.2



Recommendation Summary (Last 3 years)



Source: Bloomberg, Geojit Research

Dates	Rating	Target
16-May-22	Accumulate	1,620
13-Sep-22	Accumulate	1,950
28-Nov-22	Accumulate	2,010
15-Feb-23	Accumulate	2,214
05-May-23	HOLD	2,220
28-July-23	Buy	2,234
01-Nov-23	Buy	2,416

Investment Rating Criteria

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. 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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