

# Retail Equity Research

## Dalmia Bharat Limited

Cement

BSE CODE: 542216 NSE CODE: DALBHARAT  
Bloomberg CODE: DALBHARA:IN SENSEX: 72,776

**BUY**

12 Months Investment Period Rating as per Mid Cap  
CMP Rs. 1,743 TARGET Rs. 2,094 RETURN 20% ↑  
(Closing: 13-05-24)

KEY CHANGES:

TARGET ↓

RATING ↔

EARNINGS ↓

### Robust volume growth, but realisation drops.

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. 2,094, considering the positive volume outlook and strong focus on expansion.
- Revenue grew by 10% YoY in Q4FY24, mainly driven by volume growth of 19%YoY. However, operating profit declined by 7.5%YoY due to drop in EBITDA margin (-290bps YoY to 15.2%) as realisation declined.
- 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 (waiting for NoC from lenders). This will give access to the central region.
- DBL is expanding its capacity to reach ~50MT (excluding JP acquisition) by FY25 and has a long-term goal to become a pan-India player with a capacity of 110MT by FY31, which will aid for future re-rating. Towards cost efficiency, DBL has expanded its renewable energy capacity to 185MW in FY24, and targets 350MW by FY25.
- The company has guided for a total capex of Rs.100bn during FY24-FY25 and net debt would peak at ~Rs.50bn by FY25 end with a D/E of 0.4x. Given the GoI's strong emphasis on housing & infrastructure, the demand outlook is favourable. We value DBL at 11x FY26E EV/EBITDA (2Yr Avg=12x).

### Capacity expansion will support volume growth.

DBL reported revenue growth of 10%YoY, mainly aided by robust growth in volumes (+19%YoY). However, realisation declined by ~7%YoY and expect improvement in cement prices only in H2FY25 due to ongoing election and monsoon quarter. The ongoing capacity expansion (addition of 8MT by FY24, excluding JP acquisition) and the acquisitions will support future volume growth. The improvement in trade mix (65% in FY24 vs. 63% YoY) will support realisation. We factor in revenue growth of ~10% CAGR over FY24-26E, aided by capacity expansion and acquisitions.

### Margins declined mainly due to drop in realisation.

EBITDA declined by 7.5% YoY as EBITDA margin dropped by 290bps YoY to ~15.2% largely due to sharp decline in cement prices (7%YoY). Fuel prices corrected by ~30%YoY, leading to a 24% YoY decline in Power & fuel costs. However, the raw material costs per ton increased by 10%YoY due to an increase in slag and fly ash prices. EBITDA/ton declined to Rs. 743 vs. Rs.955 YoY (Rs. 1,140 QoQ). Fuel prices have almost stabilised. DBL is increasing the green power mix, and the capacity has increased to 185MW as of Q4FY24 from 63MW in FY22 and targets to 350MW by FY25 (expects savings of ~Rs. 5-6 per unit). Cement prices are expected to improve post monsoon along with higher freight costs to normalise in the coming quarters. Expect EBITDA/Ton to improve to Rs. 920/ Rs. 1,040 in FY25E/FY26E (Rs. 901 in FY23).

### Valuation & Outlook:

DBL's strong capacity expansion plans to become a pan-India player (~59MT by FY25E, 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 positive outlook on real estate. The stock currently trades at 1Yr Fwd EV/EBITDA of ~11x. We lower our valuation to 11x FY26E EV/EBITDA (2Yr avg=12x) to factor in current pressure on realisation and arrived at a target price of Rs. 2,094, maintaining our BUY rating due to positive demand outlook and recent correction in stock price.

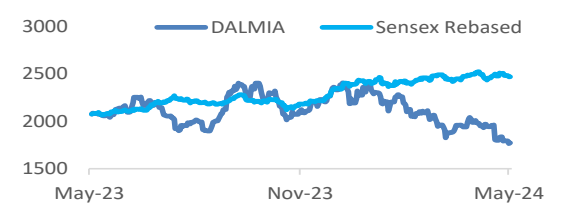
#### Company Data

Market Cap (Rs.cr)	32,612
Enterprise Value (Rs.cr)	33,709
Outstanding Shares (cr)	18.7
Free Float	42%
Dividend Yield	0.5%
52 week high (Rs.)	2,429
52 week low (Rs.)	1,700
6m average volume (cr)	0.04
Beta	1.2
Face value Rs.	2

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	55.9	55.8	55.8
FII's	14.1	13.0	11.4
MFs/Insti	9.4	11.0	12.6
Public	10.3	10.3	10.4
Others	10.3	9.9	9.8
Total	100.0	100.0	100.0
Promotor pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-15.6%	-15.1%	-14.6%
Absolute Sensex	2.9%	13.2%	19.0%
Relative Return*	-18.4%	-28.3%	-33.5%

#### \*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	14,680	15,795	17,680
Growth (%)	8.4	7.6	11.9
EBITDA	2,628	2,995	3,752
EBITDA Margin (%)	17.9	19.0	21.2
Adj. PAT	827	915	1,290
Growth (%)	26.5	10.7	41.0
Adj. EPS	44.1	48.8	68.8
Growth (%)	26.5	10.7	41.0
P/E	40.7	36.7	26.1
P/B	2.0	1.9	1.8
EV/EBITDA	12.7	12.7	9.5
ROE (%)	5.2	5.4	7.2
D/E	0.4	0.6	0.4

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Research Analyst

## Quarterly Financials (Consolidated)

### Profit & Loss

Rs (cr)	Q4FY24	Q4FY23	YoY Growth	Q3FY24	QoQ Growth	FY24	FY23	YoY Growth
Sales	4,307	3,912	10.1%	3,600	19.6%	14,680	13,540	8.4%
EBITDA	654	707	-7.5%	775	-15.6%	2,628	2,316	13.5%
EBITDA margins	15.2%	18.1%	-290bps	21.5%	-630bps	17.9%	17.1%	80bps
Depreciation	328	336	-2.4%	370	-11.4%	1,498	1,305	14.8%
EBIT	326	371	-12.1%	405	-19.5%	1,130	1,011	11.8%
Interest	94	64	46.9%	108	-13.0%	386	232	66.4%
Other Income	120	41	192.7%	64	87.5%	326	136	139.7%
Exceptional Items	0	-144	0.0%	0	0.0%	0	-144	0.0%
PBT	352	204	72.5%	361	-2.5%	1,070	771	38.8%
Tax	32	125	-74.4%	95	-66.3%	216	242	NA
Share of profit from associates	0	529	0.0%	0	0.0%	0	554	0.0%
Minority interest	5	20	0.0%	0	0.0%	27	44	0.0%
Reported PAT	315	589	-46.5%	263	19.8%	826	1,035	-20.2%
Adjustments	0	-386	0.0%	0	0.0%	0	-381	0.0%
Adj PAT	315	203	55.2%	263	19.8%	826	654	26.3%
No. of Shares	18.7	18.7	0.2%	18.7	0.0%	18.7	18.7	0.2%
Adj EPS (Rs)	16.8	10.8	55.2%	14.1	19.8%	44.1	35.0	26.3%

### Per Tonne Analysis

	Q4FY24	Q4FY23	YoY Growth	Q3FY24	QoQ Growth
Cement Volume (MT)	8.80	7.40	18.9%	6.80	29.4%
Cost of materials consumed	1,111	1,014	9.7%	921	20.7%
Employee Expenses	230	258	-11.1%	325	-29.4%
Power & Fuel	898	1,177	-23.7%	1,068	-15.9%
Freight & forwarding	1,159	1,111	4.3%	1,093	6.1%
Other expenses	753	772	-2.4%	749	0.7%
Total expenses	4,151	4,331	-4.2%	4,154	-0.1%
Realisation (inc. RMC)	4,894	5,286	-7.4%	5,294	-7.6%
EBITDA	743	955	-22.2%	1,140	-34.8%

### Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	17,494	NA	15,795	17,680	-9.7%	NA
EBITDA	3,894	NA	2,995	3,752	-23.1%	NA
Margins (%)	22.3	NA	19.0	21.2	(230bps)	NA
Adj. PAT *	1,197	NA	915	1,290	-23.5%	NA
EPS	63.9	NA	48.8	68.8	-23.6%	NA



**PROFIT & LOSS**

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Revenue</b>	<b>10,522</b>	<b>11,277</b>	<b>13,540</b>	<b>14,680</b>	<b>15,795</b>	<b>17,680</b>
% change	8.8	7.2	20.1	8.4	7.6	11.9
<b>EBITDA</b>	<b>2,783</b>	<b>2,413</b>	<b>2,316</b>	<b>2,628</b>	<b>2,995</b>	<b>3,752</b>
% change	32.1	-13.3	-4.0	13.5	14.0	25.3
Depreciation	1,262	1,237	1,305	1,498	1,492	1,701
<b>EBIT</b>	<b>1,521</b>	<b>1,176</b>	<b>1,011</b>	<b>1,130</b>	<b>1,503</b>	<b>2,050</b>
Interest	295	194	232	386	533	583
Other Income	182	154	136	326	268	263
<b>PBT</b>	<b>1,408</b>	<b>1,136</b>	<b>771</b>	<b>1,070</b>	<b>1,238</b>	<b>1,731</b>
% change	294.4	-19.3	-32.1	38.8	15.7	39.9
Tax	165	-31	242	216	309	433
Tax Rate	11.7%	-2.7%	31.4%	20.2%	25.0%	25.0%
<b>Reported PAT</b>	<b>1,231</b>	<b>1,138</b>	<b>1,039</b>	<b>827</b>	<b>915</b>	<b>1,290</b>
Adj*	0	0	385	0	0	0
<b>Adj PAT</b>	<b>1,231</b>	<b>1,138</b>	<b>654</b>	<b>827</b>	<b>915</b>	<b>1,290</b>
% change	454.5	-7.6	-42.5	26.5	10.7	41.0
No. of shares (cr)	18.7	18.7	18.7	18.8	18.8	18.8
<b>Adj EPS (Rs.)</b>	<b>66</b>	<b>61</b>	<b>56</b>	<b>44</b>	<b>49</b>	<b>69</b>
% change	454.5	-7.6	-42.5	26.5	10.7	41.0
DPS (Rs.)	2.3	2.3	2.3	2.3	2.3	2.3
CEPS (Rs.)	133.2	126.9	104.5	124.0	128.4	159.5

**BALANCE SHEET**

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24	FY25E	FY26E
Cash	258	140	234	699	220	510
Accounts Receivable	688	673	700	764	865	920
Inventories	924	945	1,316	1,323	1,338	1,448
Other Cur. Assets	1,320	1,200	2,165	1,599	1,674	1,867
Investments	3,414	5,704	3,524	4,461	4,461	4,461
Gross Fixed Assets	14,955	16,678	18,717	21,296	29,580	30,580
Net Fixed Assets	10,119	10,799	11,610	12,891	19,826	19,262
CWIP	938	1,036	1,859	2,284	1,000	600
Intangible Assets	3,694	3,375	3,186	2,956	2,812	2,675
Def. Tax (Net)	-1,634	-1,635	-1,610	-1,610	-1,610	-1,610
Other Assets	455	600	925	704	757	848
<b>Total Assets</b>	<b>20,176</b>	<b>22,837</b>	<b>23,909</b>	<b>26,072</b>	<b>31,344</b>	<b>30,982</b>
Current Liabilities	3,904	3,111	3,523	3,806	3,836	4,108
Provisions	335	606	591	644	692	775
Debt Funds	3,060	3,176	3,855	4,805	9,105	7,105
Other Liabilities	251	257	312	406	428	465
Equity Capital	37	37	37	38	38	38
Reserves & Surplus	12,589	15,650	15,591	16,374	17,246	18,492
Shareholder's Fund	12,626	15,687	15,628	16,412	17,283	18,530
<b>Total Liabilities</b>	<b>20,176</b>	<b>22,837</b>	<b>23,909</b>	<b>26,072</b>	<b>31,344</b>	<b>30,982</b>
<b>BVPS (Rs.)</b>	<b>531</b>	<b>701</b>	<b>703</b>	<b>746</b>	<b>792</b>	<b>859</b>

**CASH FLOW**

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24	FY25E	FY26E
<b>Net inc. + Depn.</b>	<b>2,493</b>	<b>2,375</b>	<b>2,344</b>	<b>2,325</b>	<b>2,408</b>	<b>2,992</b>
Non-cash adj.	120	-103	-321	216	309	433
Other adjustments	231	181	296	170	224	150
Changes in W.C	752	-515	-77	1138	-143	-59
<b>C.F. Operation</b>	<b>3,596</b>	<b>1,935</b>	<b>2,252</b>	<b>3,849</b>	<b>2,798</b>	<b>3,515</b>
Capital exp.	-1,038	-1,756	-2,701	-2,974	-7,000	-600
Change in inv.	639	539	0	-937	0	0
Other invest.CF	123	75	77	0	0	0
<b>C.F - Investment</b>	<b>-276</b>	<b>-1,142</b>	<b>-2,624</b>	<b>-3,911</b>	<b>-7,000</b>	<b>-600</b>
Issue of equity	-400	5	0	0	0	0
Issue/repay debt	-2,966	-847	370	570	3,768	-2,582
Dividends paid	0	-100	-169	-44	-44	-44
Other finance.CF	0	0	-33	0	0	0
<b>C.F - Finance</b>	<b>-3,366</b>	<b>-942</b>	<b>168</b>	<b>526</b>	<b>3,724</b>	<b>-2,625</b>
Chg. in cash	-46	-55	94	465	-478	290
Closing cash	258	140	234	699	220	510

**RATIOS**

Y.E March	FY21A	FY22A	FY23A	FY24	FY25E	FY26E
<b>Profitab. &amp; Return</b>						
EBITDA margin (%)	26.4	21.4	17.1	17.9	19.0	21.2
EBIT margin (%)	14.5	10.4	7.5	7.7	9.5	11.6
Net profit mgn.(%)	11.7	10.1	4.8	5.6	5.8	7.3
ROE (%)	10.6	8.0	4.2	5.2	5.4	7.2
ROCE (%)	8.1	7.5	3.0	4.5	4.4	5.2
<b>W.C &amp; Liquidity</b>						
Receivables (days)	18.8	22.0	18.5	18.2	18.8	18.4
Inventory (days)	32.9	30.2	30.5	32.8	30.7	28.8
Payables (days)	99.4	85.9	64.0	77.1	82.1	78.4
Current ratio (x)	1.3	1.5	1.7	1.9	1.8	1.8
Quick ratio (x)	0.2	0.2	0.2	0.3	0.2	0.3
<b>Turnover &amp; Leverage</b>						
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	2.8	3.5
Adj. debt/equity (x)	0.3	0.3	0.3	0.4	0.6	0.4
<b>Valuation</b>						
EV/Sales (x)	3.1	2.8	2.5	2.3	2.4	2.0
EV/EBITDA (x)	11.9	12.9	14.6	12.7	12.7	9.5
P/E (x)	27.4	29.6	51.5	40.7	36.8	26.1
P/BV (x)	2.6	2.1	2.1	2.0	1.9	1.8

## 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
05-May-23	HOLD	2,220
28-July-23	Buy	2,234
01-Nov-23	Buy	2,416
14-May-24	Buy	2,094

## 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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