

Dalmia Bharat

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	DALBHARA IN
Equity Shares (m)	187
M.Cap.(INRb)/(USDb)	435.5 / 5.2
52-Week Range (INR)	2425 / 1476
1, 6, 12 Rel. Per (%)	0/5/40
12M Avg Val (INR M)	596

Financial Snapshot (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Sales	150.1	167.1	184.8
EBITDA	29.9	36.5	44.1
Adj. PAT	8.5	12.1	16.5
EBITDA Margin (%)	19.9	21.9	23.9
Adj. EPS (INR)	45.1	64.4	87.9
EPS Gr. (%)	23.4	42.8	36.5
BV/Sh. (INR)	865.7	917.1	991.9

Ratios

Net D:E	0.0	0.0	-0.0
RoE (%)	5.3	7.2	9.2
RoCE (%)	5.8	7.3	8.7
Payout (%)	28.8	20.2	14.8

Valuations

P/E (x)	51.5	36.1	26.4
P/BV (x)	2.7	2.5	2.3
EV/EBITDA(x)	14.5	11.6	9.6
EV/ton (USD)	113	110	104
Div. Yield (%)	0.6	0.6	0.6
FCF Yield (%)	0.9	1.0	2.5

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	55.9	55.9	55.9
DII	9.0	8.7	7.3
FII	13.9	12.8	12.6
Others	21.3	22.6	24.2

FII Includes depository receipts

CMP: INR2,322 TP: INR2,800 (+21%) Buy

Higher opex reduction leads to better-than-expected margins

Price hikes in East and South to further improve profitability

- DALBHARA's 2QFY24 EBITDA came in at INR5.9b vs. estimated INR5.8b and EBITDA/t stood at INR950 vs. estimated INR905. Adj. PAT (after MI) came in at INR1.2b (4.3x YoY) vs. estimated INR927m, driven by higher 'other income'.
- The company lost some market share in North Bihar and West Bengal due to certain pricing decisions that did not yield the intended results. It has implemented some corrective measures and the company anticipates positive outcomes starting from 4Q. Its focus is on optimizing utilization and outpacing industry growth.
- We raise our EBITDA estimate by 2% for FY24/FY25 (each) and PAT estimate by 3% for FY24/FY25 (each), given the higher cost savings. We have not yet factored in JP asset acquisition into our assumptions. We reiterate our BUY rating with a revised TP of INR2,800 (vs. INR2,760 earlier).

Sales volume up 7% YoY; OPM grew 6pp YoY to 18.7% (est. 17.1%)

- Consolidated revenue/EBITDA/adj. PAT stood at INR31.5b/INR5.9b/INR1.2b (up 6%/up 55%/up 325% YoY, and down 7%/up 1%/up 28% from estimates) in 2QFY24. Sales volumes at 6.2mt grew 7% YoY (down 3% from our estimate). Realization at INR5,079/t declined 1% YoY (down 4% from our estimate).
- Opex/t was down 8% YoY, led by a 14%/7%/1% decline in variable cost/freight cost/ other expenses. OPM was up 6pp YoY to 18.7% and EBITDA/t was up 45% YoY to INR950. Depreciation/finance cost increased 21%/80% YoY, whereas 'other income' grew 118% YoY.
- In 1HFY24, DALBHARA's revenue grew 8% YoY, driven by 10% YoY growth in volume and 2% YoY decline in realization. EBITDA grew 24% YoY to INR12b due to higher volumes and lower opex/t (declined 4% YoY). EBITDA/t rose 13% YoY to INR910. Adj. PAT (after MI) was up 12% YoY to INR2.5b.

Highlights from the management commentary

- Fuel consumption cost stood at INR1.58/Kcal vs. INR1.98/Kcal in 1QFY24. Coal price has increased to USD130-135/t after correcting till USD105-110 in Jul'23. However, cost reduction will still be seen in the coming quarters.
- The company is benefiting from a robust increase in cement prices, particularly in the East, where prices have risen by INR40-50/bag. Additionally, with the demand improving, the company has implemented a price hike of INR30/bag in the southern markets.
- Capex stood at INR6.1b/INR15b in 2Q/1HFY24. The company maintains a capex guidance of INR65b (including INR37b for JPA cement asset acquisition) in FY24E.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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View and valuations

- The stock trades at 14.5x/11.6x/9.6 FY24E/FY25E/26E EV/EBITDA. It has traded at an average EV/EBITDA of 10x in the last 5/10 years. We estimate the company's volume to clock a CAGR of ~11% over FY23-26 and estimate EBITDA/t of INR1,045/INR1,150/INR1,250 in FY24/FY25/FY26 vs. INR901 in FY23, largely driven by a reduction in opex (operating efficacy and softening fuel prices).
- We value DALBHARA at 13x Sep'25E EV/EBITDA (earlier FY25E) to arrive at a revised TP of INR2,800. We reiterate our BUY rating on the stock.

Quarterly Performance (Consolidated)

Y/E March									(INR b)			
	FY23				FY24				FY23	FY24E	FY24	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Net Sales	33.0	29.7	33.6	39.1	36.2	31.5	35.3	47.0	135.4	150.1	33.8	-7
YoY Change (%)	27.4	15.1	22.7	15.7	9.8	6.0	5.4	20.2	20.0	10.9	13.9	
Total Expenditure	27.2	25.9	27.1	32.1	30.1	25.6	27.8	36.7	112.2	120.2	28.0	-9
EBITDA	5.9	3.8	6.4	7.1	6.1	5.9	7.6	10.4	23.2	29.9	5.8	1
Margins (%)	17.7	12.8	19.2	18.1	16.8	18.7	21.4	22.0	17.1	19.9	17.1	155bp
Depreciation	3.1	3.3	3.3	3.4	4.0	4.0	4.1	4.1	13.1	16.2	4.0	-0
Interest	0.5	0.6	0.7	0.6	0.8	1.0	1.0	1.0	2.3	3.9	0.8	25
Other Income	0.2	0.4	0.4	0.4	0.6	0.9	0.4	0.3	1.4	2.1	0.4	143
PBT before EO Expense	2.5	0.3	2.9	3.5	1.9	1.7	2.8	5.5	9.2	11.9	1.3	31
Extra-Ord expense	0.0	0.0	0.0	-3.9	0.0	0.0	0.0	0.0	-3.9	0.0	0.0	
PBT after EO Expense	2.5	0.3	2.9	7.3	1.9	1.7	2.8	5.5	13.0	11.9	1.3	31
Tax	0.6	-0.2	0.7	1.3	0.4	0.5	0.8	1.4	2.4	3.0	0.3	
Prior period tax adjustment	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	0.0	0.0	
Rate (%)	25.5	23.3	25.5	36.5	22.2	27.9	27.9	24.8	29.6	25.6	25.6	
Reported PAT (pre minority)	1.9	0.5	2.1	6.1	1.4	1.2	2.0	4.1	10.6	8.9	1.0	27
Minority + associate	-0.1	-0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.2	0.4	0.1	
PAT Adj for EO items	2.0	0.3	2.0	2.6	1.3	1.2	1.9	4.1	6.9	8.5	0.9	28
YoY Change (%)	-30.4	-87.4	286.5	-1.9	-33.3	325.0	-4.8	55.2	-16.5	23.4	231.2	
Per ton analysis (blended) INR/t												
Sales Dispatches (m ton)	6.2	5.8	6.3	7.4	7.0	6.2	6.7	8.8	25.7	28.7	6.4	-3
YoY Change (%)	26.8	13.7	10.5	12.1	12.4	6.9	6.3	18.8	15.3	11.5	10.6	
Net realization	5,326	5,122	5,325	5,286	5,199	5,079	5,279	5,351	5,268	5,238	5,277	-4
YoY Change (%)	0.5	1.2	11.0	3.2	-2.4	-0.8	-0.9	1.2	4.1	-0.6	3.0	
RM Cost	677	760	587	1,014	812	860	881	931	771	875	860	-0
Employee Expenses	319	326	306	258	319	365	327	259	300	312	318	15
Power, Oil & Fuel	1,535	1,538	1,530	1,177	1,294	1,126	1,106	1,104	1,432	1,155	1,214	-7
Freight and Handling Outward	1,100	1,028	1,114	1,111	1,161	1,018	1,110	1,106	1,090	1,101	1,130	-10
Other Expenses	748	817	765	772	739	761	724	772	775	750	850	-10
Total Expenses	4,381	4,469	4,303	4,331	4,324	4,129	4,148	4,171	4,367	4,194	4,372	-6
EBITDA	945	653	1,022	955	875	950	1,131	1,180	901	1,045	905	5

Source: Company, MOFSL Estimates



Key takeaways from the conference call

Demand and pricing outlook

- The company's volume grew 7% YoY, with ~6% YoY volume growth in core markets after adjusting for Central region's volume (0.3mt). The company lost market share in North Bihar and West Bengal due to specific pricing decisions that did not yield the intended results. However, it successfully gained market share in the South and Northeast markets. **The capacity utilization stood at ~60% during the quarter. Despite these challenges, the company anticipates outpacing industry growth moving forward.**
- The company is benefiting from a robust increase in cement prices, particularly in the East, where prices have risen by INR40-50/bag. Additionally, with the demand improving, the company has implemented a price hike of INR30/bag in the southern markets. It remains watchful for the sustainability of such a sharp price hike.

Operational highlights and cost insights

- The cost of raw materials increased 2% YoY to INR785/t due to a 5%/10% increase in fly-ash/slag prices. Further, collaborations with JPA resulted in a rise in the procurement of traded goods, leading to an overall increase in total raw material costs.
- Power and fuel cost declined, due to softening fuel prices and higher renewable energy share (29% vs. 18%/27% in 2QFY23/1QFY24). Fuel consumption cost stood at INR1.58/Kcal (USD127/t decline of USD60 on YoY) vs. INR1.98 in 1QFY24. Even though, coal cost has increased to USD130-135/t from the bottom of USD105-110 in Jul'23; there should be a marginal reduction in fuel cost in the coming quarters.
- Lead distance reduced to 277Kms vs. 308Kms/284Kms in 2QFY23/1QFY24. Higher QoQ decline in freight cost was on account of 1) lower lead distance, 2) removal of busy season surcharge by Indian railways for Aug-Sep months, and 3) the impact of higher inter-regional movement due to plant shutdown in 1QFY24.
- Blended cement sales stood at 88% vs. 83% in 2QFY23. C:C (clinker to cement conversion) ratio stood at 1.71x, similar to the trend seen in the last five quarters. Trade volumes have improved and trade share has gradually increased to 68% in the southern region. Premium products sale slightly increased to 22% of sales volume from 21% in 1QFY24.
- Incentives accrued stood at INR630mn in 2QFY24, and incentives received stood at INR250mn. The average incentives receivable stood at INR7.6b as of Sep'23. For FY24, total incentives received should be between INR2.75b and INR3.0b.
- **Depreciation:** Certain components of plant and equipment have been replaced under de-bottlenecking, which led to accelerated depreciation of INR400m in 2Q and another INR150m is expected to be accounted for in the next quarter.

Expansion plans and capex

- Capex stood at INR6.1b/INR15b in 2Q/1HFY24. The company maintained a capex guidance of INR65b (including INR37b for JP acquisition) in FY24E.
- The company commissioned 2.0mt greenfield grinding unit at Satur, Tamil Nadu and completed clinker debottlenecking of 0.5mtpa at Ariyalur, Tamil Nadu.

Grinding capacity has increased to 43.7mtpa and will further increase to 46.6mtpa by Mar-24 through organic expansions (primarily in the South).

- The approval process for the JPA acquisition from various banks is pending and is taking longer than anticipated. However, the management remains optimistic about finalizing this transaction by FY24-end.
- The company announced brownfield expansion of 0.5mtpa at its Bihar plant at an estimated capex of INR910m and this is expected to be completed during FY25.

Debt and other key highlights

- Gross debt increased by INR9.1b to INR52.9b as of Sep'23. Net debt increased by INR2.9b to INR15b. Net debt to EBITDA is at 0.59x as of Sep'23. Net debt is expected to increase with the conclusion of the JPA deal and expects net-debt to EBITDA to increase to around 1x (net debt of around INR30-40b).
- The company will invest in Brand building campaigns and targets to increase its premium product share in the coming quarters.
- Under the Dalmia 2.0 initiative, the management has categorized priorities into four key areas: Growth, financial performance, sustaining trust, and organizational development (this includes endeavors in leadership development and digital transformation).

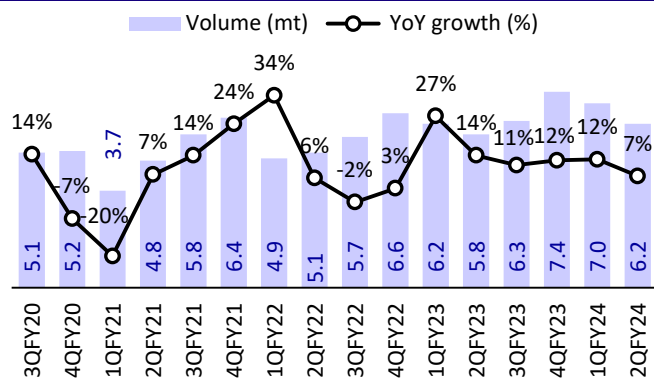
Exhibit 1: Revisions to our estimates

(INR b)	Revised		Old		Change (%)		Introduce
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY26E
Revenue	150	167	151	169	(1)	(1)	185
EBITDA	30	37	29	36	2	2	44
PAT	8.5	12.1	8.2	11.7	3	3	16
EPS (INR)	45.1	64.4	43.8	62.4	3	3	87.9

Source: Company, MOFSL estimates

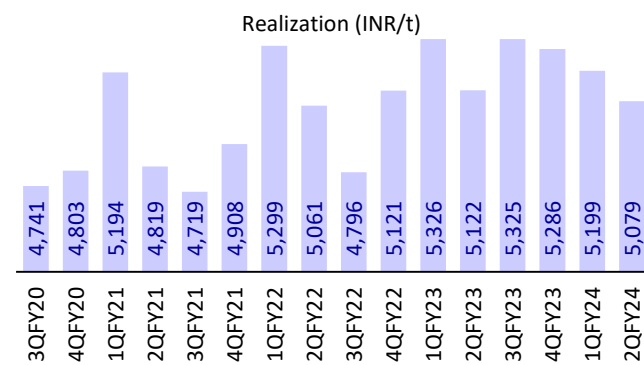
Story in charts

Exhibit 2: Sales volume was up 7% YoY



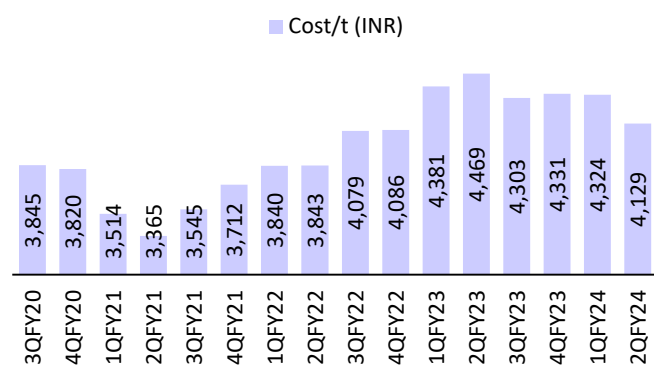
Source: Company, MOFSL

Exhibit 3: Realization declined 1% YoY and 2% QoQ



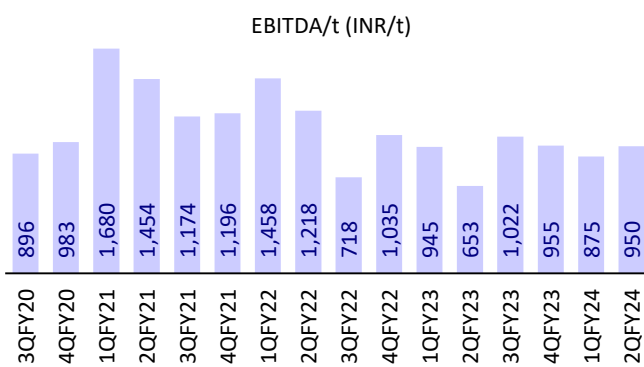
Source: Company, MOFSL

Exhibit 4: Opex/t declined 8% YoY and 5% QoQ



Source: Company, MOFSL

Exhibit 5: EBITDA/t grew 45% YoY and 9% QoQ



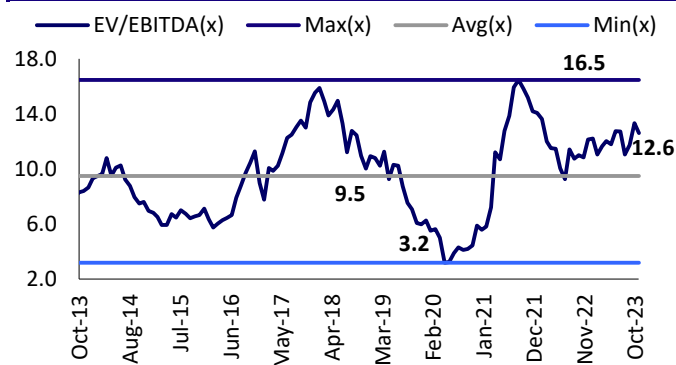
Source: Company, MOFSL

Exhibit 6: Key operating metrics (blended)

INR/t	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)
Realization	5,079	5,122	-1	5,199	-2
RM Cost	860	760	13	812	6
Staff Cost	365	326	12	319	14
Power and Fuel	1,126	1,538	-27	1,294	-13
Freight and Forwarding	1,018	1,028	-1	1,161	-12
Other Expenditure	761	817	-7	739	3
Total Expenditure	4,129	4,469	-8	4,324	-5
EBITDA	950	653	45	875	9

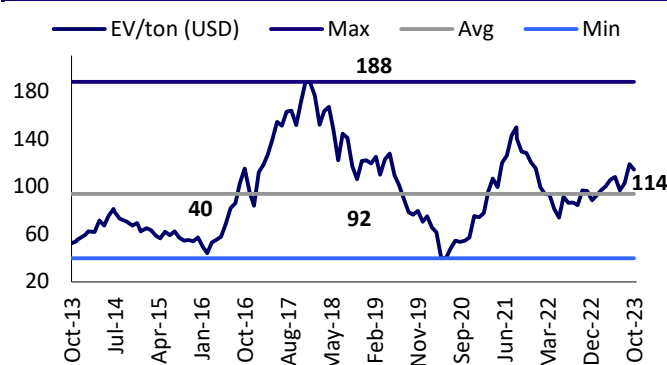
Source: Company, MOFSL

Exhibit 7: One-year forward EV/EBITDA



Source: Company, MOFSL

Exhibit 8: One-year forward EV/ton



Source: Company, MOFSL

Financials and valuations (Consolidated)

Income Statement								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	94,840	96,740	1,01,100	1,12,860	1,35,400	1,50,111	1,67,101	1,84,776
Change (%)	10.5	2.0	4.5	11.6	20.0	10.9	11.3	10.6
EBITDA	19,420	21,060	27,620	24,260	23,160	29,935	36,535	44,107
Margin (%)	20.5	21.8	27.3	21.5	17.1	19.9	21.9	23.9
Depreciation	12,960	15,280	12,500	12,350	13,050	16,231	17,250	19,419
EBIT	6,460	5,780	15,120	11,910	10,110	13,704	19,285	24,688
Int. and Finance Charges	5,510	4,380	2,950	2,020	2,340	3,872	4,070	3,843
Other Income - Rec.	2,440	2,170	1,810	1,600	1,380	2,070	1,548	1,835
PBT bef. EO Exp.	3,390	3,570	13,980	11,490	9,150	11,903	16,762	22,680
EO Expense/(Income)	0	0	-3,330	20	-3,850	0	0	0
PBT after EO Exp.	3,390	3,570	17,310	11,470	13,000	11,903	16,762	22,680
Current Tax	1,120	1,140	2,120	250	320	3,047	4,291	5,806
Deferred Tax	-1,220	50	3,330	2,900	2,100	0	0	0
Tax Rate (%)	-2.1	27.5	40.4	26.5	29.6	25.6	25.6	25.6
Reported PAT	3,490	2,380	11,860	8,320	10,580	8,856	12,471	16,874
Minority and Associates	-410	-140	-130	-240	-190	-400	-400	-400
PAT Adj. for EO items	3,080	2,240	8,400	8,203	6,850	8,456	12,071	16,474
Change (%)	5.5	-27.3	275.0	-2.3	-16.5	23.4	42.8	36.5
Margin (%)	3.2	2.3	8.3	7.3	5.1	5.6	7.2	8.9

Balance Sheet								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	390	390	374	375	375	375	375	375
Total Reserves	1,06,000	1,05,650	1,27,726	1,60,235	1,55,905	1,61,923	1,71,557	1,85,594
Net Worth	1,06,390	1,06,040	1,28,100	1,60,610	1,56,280	1,62,298	1,71,932	1,85,969
Deferred capital investment subsidy	1,290	1,400	1,240	1,250	1,660	1,660	1,660	1,660
Deferred Liabilities	11,880	12,770	16,590	15,640	16,100	16,100	16,100	16,100
Minority Interest	110	250	340	720	1,160	1,560	1,960	2,360
Total Loans	58,780	59,500	37,080	31,190	37,420	45,920	46,920	47,920
Capital Employed	1,78,450	1,79,960	1,83,350	2,09,410	2,12,620	2,27,538	2,38,572	2,54,009
Gross Block	1,66,210	1,66,440	1,86,160	2,00,360	2,16,590	2,61,270	2,78,240	3,14,210
Less: Accum. Deprn.	30,470	40,890	49,910	59,020	68,760	82,961	98,181	1,15,570
Net Fixed Assets	1,35,740	1,25,550	1,36,250	1,41,340	1,47,830	1,78,309	1,80,059	1,98,640
Capital WIP	5,200	17,400	10,060	10,450	18,710	7,000	18,000	10,000
Current Investment	23,150	26,980	32,930	43,990	29,350	38,250	38,250	38,250
Non-current Investment	1,090	1,610	7,410	13,060	5,900	5,900	5,900	5,900
Curr. Assets, Loans and Adv.	39,300	37,670	32,210	37,840	53,400	45,029	48,169	58,504
Inventory	10,320	9,740	7,600	9,460	13,160	14,394	16,023	17,718
Account Receivables	5,490	6,640	5,110	6,730	7,000	8,225	9,156	10,125
Cash and Bank Balance	4,690	4,030	2,470	1,600	2,850	2,332	2,877	10,492
Loans and Advances	18,800	17,260	17,030	20,050	30,390	20,077	20,112	20,169
Curr. Liability and Prov.	26,030	29,250	35,510	37,270	42,570	46,950	51,806	57,286
Account Payables	23,430	27,210	32,820	34,600	39,370	43,402	47,857	52,919
Provisions	2,600	2,040	2,690	2,670	3,200	3,548	3,949	4,367
Net Current Assets	13,270	8,420	-3,300	570	10,830	-1,921	-3,637	1,218
Appl. of Funds	1,78,450	1,79,960	1,83,350	2,09,410	2,12,620	2,27,538	2,38,572	2,54,009

E: MOFSL estimates

Financials and valuations (Consolidated)

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)*								
EPS	15.8	11.5	44.9	43.8	36.5	45.1	64.4	87.9
Cash EPS	82.3	89.8	111.7	109.7	106.1	131.6	156.4	191.4
BV/Share	545.6	543.8	684.6	857.2	833.6	865.7	917.1	991.9
DPS	2.0	2.0	1.3	9.0	9.0	13.0	13.0	13.0
Payout (%)	12.5	17.2	3.0	20.6	24.6	28.8	20.2	14.8
Valuation (x)*								
P/E			51.7	53.0	63.6	51.5	36.1	26.4
Cash P/E			20.8	21.2	21.9	17.6	14.9	12.1
P/BV			3.4	2.7	2.8	2.7	2.5	2.3
EV/Sales			4.2	3.6	3.1	2.9	2.5	2.3
EV/EBITDA			15.5	16.9	18.2	14.5	11.6	9.6
EV/t (USD)			168	138	132	113	110	104
Dividend Yield (%)			0.1	0.4	0.4	0.6	0.6	0.6
Return Ratios (%)								
ROIC	4.5	3.0	6.7	6.0	4.5	6.0	8.0	9.8
RoE	2.9	2.1	7.2	5.7	4.3	5.3	7.2	9.2
RoCE	5.3	3.5	6.1	5.6	4.2	5.8	7.3	8.7
Working Capital Ratios								
Asset Turnover (x)	0.5	0.5	0.6	0.5	0.6	0.7	0.7	0.7
Inventory (Days)	40	37	27	31	35	35	35	35
Debtor (Days)	21	25	18	22	19	20	20	20
Leverage Ratio (x)								
Current Ratio	1.5	1.3	0.9	1.0	1.3	1.0	0.9	1.0
Debt/Equity	0.6	0.6	0.3	0.2	0.2	0.3	0.3	0.3

Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	3,390	3,570	13,640	11,620	13,210	11,903	16,762	22,680
Depreciation	12,960	15,280	12,500	12,360	13,050	16,231	17,250	19,419
Interest and Finance Charges	5,510	3,640	3,190	1,930	2,310	3,602	4,070	3,843
Direct Taxes Paid	-240	-660	440	240	-140	-3,047	-4,291	-5,806
(Inc.)/Dec. in WC	1,500	2,740	7,810	-5,150	-770	12,113	2,122	2,615
CF from Operations	23,120	24,570	37,580	21,000	27,660	40,801	35,913	42,751
Others	-2,220	-1,190	-1,540	-1,680	-5,140	-2,070	-1,548	-1,835
CF from Operations incl. EO	20,900	23,380	36,040	19,320	22,520	38,731	34,366	40,916
(Inc.)/Dec. in FA	-13,290	-13,450	-10,270	-17,560	-27,010	-35,000	-30,000	-30,000
Free Cash Flow	7,610	9,930	25,770	1,760	-4,490	3,731	4,366	10,916
(Pur.)/Sale of Investments	10,320	-4,970	6,050	6,380	2,980	-8,909	-10	-10
Others	2,870	300	370	410	1,080	2,070	1,548	1,835
CF from Investments	-100	-18,120	-3,850	-10,770	-22,950	-41,839	-28,463	-28,175
Issue of Shares	40	0	-4,000	50	0	0	0	0
Inc./(Dec.) in Debt	-13,870	120	-25,340	-5,800	6,670	8,629	1,149	1,155
Interest Paid	-5,420	-4,680	-3,960	-2,320	-2,970	-3,602	-4,070	-3,843
Dividend Paid	-400	-930	0	-1,000	-1,690	-2,437	-2,437	-2,437
Others	0	-430	-450	-350	-330	0	0	0
CF from Fin. Activity	-19,650	-5,920	-33,750	-9,420	1,680	2,590	-5,358	-5,125
Inc./Dec. of Cash	1,150	-660	-1,560	-870	1,250	-517	545	7,615
Opening Balance	3,540	4,690	4,030	2,470	1,600	2,850	2,332	2,877
Closing Balance	4,690	4,030	2,470	1,600	2,850	2,332	2,877	10,492

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NOTES

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BUY	>=15%
SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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