

Rating: ACCUMULATE | CMP: Rs1,831 | TP: Rs2,073

October 21, 2024

Q2FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current	Previous		
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE	ACCUMULATE		
Target Price	2,073	2,076		
Sales (Rs. m)	1,77,148	2,01,057	1,77,148	2,01,057
% Chng.	-	-		
EBITDA (Rs. m)	35,382	39,408	35,382	39,408
% Chng.	-	-		
EPS (Rs.)	71.4	77.2	66.6	72.8
% Chng.	7.2	6.1		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	1,46,910	1,54,878	1,77,148	2,01,057
EBITDA (Rs. m)	26,390	27,541	35,382	39,408
Margin (%)	18.0	17.8	20.0	19.6
PAT (Rs. m)	7,710	8,513	13,384	14,485
EPS (Rs.)	41.1	45.4	71.4	77.2
Gr. (%)	(33.2)	10.4	57.2	8.2
DPS (Rs.)	9.0	9.0	9.9	11.0
Yield (%)	0.5	0.5	0.5	0.6
RoE (%)	4.8	5.1	7.6	7.7
RoCE (%)	5.6	6.3	8.6	9.0
EV/Sales (x)	2.4	2.3	2.1	1.8
EV/EBITDA (x)	13.1	13.1	10.4	9.3
PE (x)	44.5	40.3	25.7	23.7
P/BV (x)	2.1	2.0	1.9	1.8

Key Data

DAL.BO | DALBHARA IN

52-W High / Low	Rs.2,431 / Rs.1,651
Sensex / Nifty	81,151 / 24,781
Market Cap	Rs.343bn / \$ 4,084m
Shares Outstanding	188m
3M Avg. Daily Value	Rs.802.44m

Shareholding Pattern (%)

Promoter's	55.84
Foreign	8.94
Domestic Institution	14.58
Public & Others	20.64
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.3)	(5.8)	(15.2)
Relative	3.9	(15.2)	(31.6)

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Weak NSR & high other costs affected EBITDA/t

Quick Pointers:

- Renewable energy (RE) share stood at 39%, to reach 45%/50% by FY25/26E
- Mgmt targets Rs150-200/t cost savings by FY27E, led by higher RE (Rs50/t), logistics efficiencies (Rs50/t) and captive coal mines (Rs100/t)

Dalmia Bharat (DALBHARA) reported weak performance in Q2FY25 led by sharp fall in average realization and higher other costs. Average NSR declined sharp 6% QoQ as cement prices weakened the most in East and South regions (5-7% QoQ) and trade mix declined to 63%. Volumes grew 8.4% YoY as the company continued to supply the central region from its plants in eastern region. Going forward, as cement demand improves in H2, we expect performance to improve aided by better pricing and volumes. As current capacity utilization is below 60%, near-term volume growth is not a concern. The company will continue to supply material to the fast growing central region from its eastern plants through the dealer network created, which may weigh on freight costs. Mgmt reiterated its medium-term target of reaching 75mtpa by FY28E and would announce its capex plan in the next 9 months.

We expect revenue/EBITDA/PAT CAGR of 11%/14%/21% over FY24-27E. As we reduce capex assumptions, EPS gets upgraded. At CMP, the stock is trading at 10.4x/9.3x EV of FY26E/FY27E EBITDA. We maintain 'ACCUMULATE' rating with TP of Rs2,073 valuing at 11x EV of Sep'26E EBITDA.

- Average NSR declined 6% QoQ on weak demand:** Revenue declined 2% YoY to Rs30.9bn (-15% QoQ; PLe Rs30.6bn) impacted by weak NSR. Average realization declined 6.1% QoQ to Rs4,594/t (-10% YoY; PLe Rs4,698/t) due to sharp decline in cement prices in the East and South regions. Volumes grew 8.4% YoY to 6.72mt (down 9% QoQ; PLe 6.51mt).
- Higher maintenance shutdown costs affected EBITDA/t:** EBITDA declined 26% YoY to Rs4.34bn (-35% QoQ; PLe Rs4.9bn) led by sharp NSR decline and higher other costs. P&F costs/t increased 3% QoQ to Rs1,052, while freight cost/t remained elevated as Dalmia supplied to newly introduced central markets from own eastern plants post stopping tolling volumes from JPA assets. RM costs/t declined 19% QoQ to Rs662 on lower tolling, but other expense/t increased 13% QoQ to Rs813 due to higher maintenance shutdown and fixed costs. Dalmia delivered EBITDA/t of Rs646 (-32% YoY; PLe Rs762). PAT declined 61% YoY to Rs460mn (-67% QoQ; PLe Rs765mn) impacted by higher tax rate during the quarter.
- Possible delays in long-term growth story:** Post admission of JPA into insolvency proceedings in Jun'24, mgmt has not yet firmed up plans to achieve its medium-term capacity target. If mgmt bids for JPA assets again, it can lead to delays or increase in capex. As domestic demand is expected to increase over the next few years, capacity additions being planned by peers may create pricing pressure, affecting EBITDA performance for Dalmia.

Q2FY25 Conference Call Highlights:

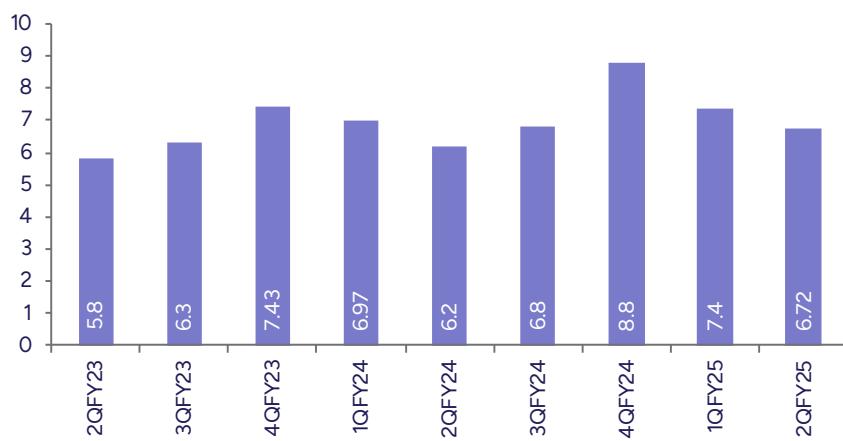
- H1FY25 industry demand remained muted at 2-3% as the cement industry faced short-term blips; however, H2 should see demand growing at 8%. Dalmia CU was ~58% in Q2FY25.
- Infrastructure spending from Gol was only ~27% of the budgeted allocation until Aug'24 vs 39% YoY; run-rate should improve in the next few months.
- Dalmia accrued Rs0.61bn incentives for Q2FY25, of which ~Rs0.2bn has been collected. Total FY25 incentive accruals and collections are expected to be Rs3bn.
- Detailed capex plan to reach 75mtpa by FY28 will be announced in the next 9 months.
- Dalmia is expected to reach an installed capacity of 49.5mtpa by end-FY25. Of this, 2.4mtpa will be commissioned in Lanka, Assam, and 0.5mtpa in Kalyanpur, Bihar. Grinding unit is expected to be commissioned by H2FY25 (Dec/Jan), and clinker capacity in Sep'26.
- RE share for Q2FY25 stood at 39%, which is expected to reach 45% by FY25 and 50% by FY26.
- Under the group captive arrangement, Dalbhora will secure about 151MW capacity of RE through solar and wind energy. This is in addition to 127MW capacity signed earlier. Commissioning of these RE power plants is expected to be in Q3FY25. By end-FY25, total operational RE is expected to be 341MW.
- For FY25, depreciation is expected to be at Rs13-13.5bn.
- Capex incurred in H1FY25 was Rs13.86bn and is expected to reach Rs30-33bn and Rs25bn for FY25 and FY26, respectively. The capex will be spent on acquiring land, and increasing RE capacity and coal blocks.
- As of Q2FY25, gross debt and net debt stood at Rs47.84bn and Rs0.644bn, respectively.
- EBITDA/t for FY25 could reach Rs900-1,000 as demand is expected to improve in H2.
- Total cost savings are expected to be Rs150-200/t, of which Rs50/t is likely for logistics and RE each, and Rs100/t for captive coal blocks.
- Cost of slag was in the range of Rs1,000-1,500/t for the quarter.
- Rail and road share stood at 15% and 85%, respectively. Lead distance for the quarter was 280km.
- Trade volume share was 63%; blended share 82.7%; fuel cost, was Rs1.36/kcal; cc ratio, at 1.64x; and premium share was 22.4%.

Exhibit 1: Q2FY25 Result Overview

Y/e March (Rs mn)	Q2FY25	Q2FY24	YoY gr. (%)	Q2FY25E	Variance (%)	Q1FY25	QoQ gr. (%)	1HFY25	1HFY24	YoY gr. (%)
Net Sales	30,870	31,490	(2.0)	30,581	0.9	36,210	(14.7)	67,080	67,730	(1.0)
Raw Material	4,450	5,330	(16.5)	5,464	(18.6)	6,050	(26.4)	10,500	10,990	(4.5)
% of Net Sales	14.4	16.9		17.9		16.7		15.7	16.2	
Staff Costs	2,190	2,260	(3.1)	2,350	(6.8)	2,280	(3.9)	4,470	4,480	(0.2)
% of Net Sales	7.1	7.2		7.7		6.3		6.7	6.6	
Power & Fuel	7,070	6,980	1.3	5,989	18.0	7,570	(6.6)	14,640	16,000	(8.5)
% of Net Sales	22.9	22.2		19.6		20.9		21.8	23.6	
Freight	6,300	5,560	13.3	6,022	4.6	7,180	(12.3)	13,480	12,410	8.6
% of Net Sales	20.4	17.7		19.7		19.8		20.1	18.3	
Other Expenses	6,520	5,470	19.2	5,794	12.5	6,440	1.2	12,960	11,860	9.3
% of Net Sales	21.1	17.4		18.9		17.8		19.3	17.5	
Total Expenditure	26,530	25,600	3.6	25,619	3.6	29,520	(10.1)	56,050	55,740	0.6
EBITDA	4,340	5,890	(26.3)	4,962	(12.5)	6,690	(35.1)	11,030	11,990	(8.0)
Margin (%)	14.1	18.7		16.2		18.5		16.4	17.7	
Depreciation	3,360	4,010	(16.2)	3,400	(1.2)	3,170	6.0	6,530	8,000	(18.4)
EBIT	980	1,880	(47.9)	1,562	(37.3)	3,520	(72.2)	4,500	3,990	12.8
Other income	730	850	(14.1)	450	62.2	500	46.0	1,230	1,420	(13.4)
Interest	980	1,010	(3.0)	950	3.2	950	3.2	1,930	1,840	4.9
PBT	730	1,720	(57.6)	1,062	(31.3)	3,070	(76.2)	3,800	3,570	6.4
Extraordinary income/(expense)	-	-		-		(1,130)		(1,130)		-
PBT (After EO)	730	1,720	(57.6)	1,062	(31.3)	1,940	(62.4)	2,670	3,570	(25.2)
Tax	240	480	-	287	(16.3)	490	(51.0)	730	890	(18.0)
% PBT	32.9	27.9		27.0		25.3		27.3	24.9	
Reported PAT	490	1,240	(60.5)	775	(36.8)	1,450	(66.2)	1,940	2,680	(27.6)
Minority Interest	30	50	(40.0)	10	200.0	40	(25.0)	70	190	(63.2)
Share of profit in JV/Associates	-	-		-		-		-	-	-
Net Profit Attributable to shareholders	460	1,190	(61.3)	765	(39.9)	1,410	(67.4)	1,870	2,490	(24.9)
Adjusted PAT	460	1,190	(61.3)	765	(39.9)	2,255	(79.6)	2,691	2,490	8.1

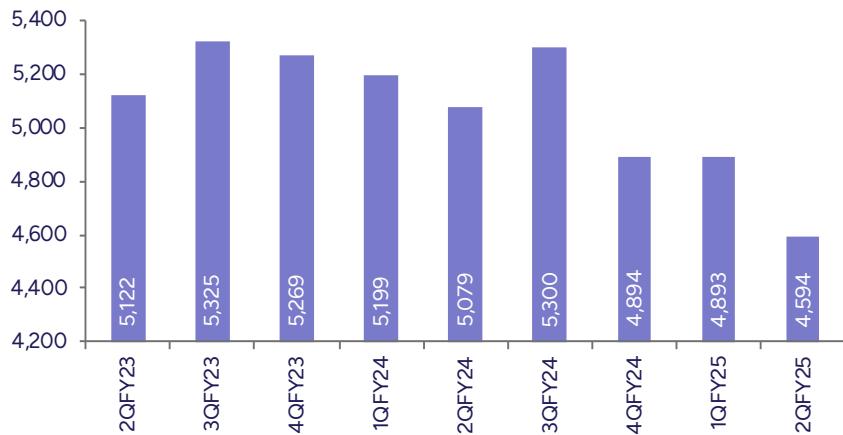
Source: Company, PL

Exhibit 2: 9% QoQ volume de-growth due to weak demand (mt)



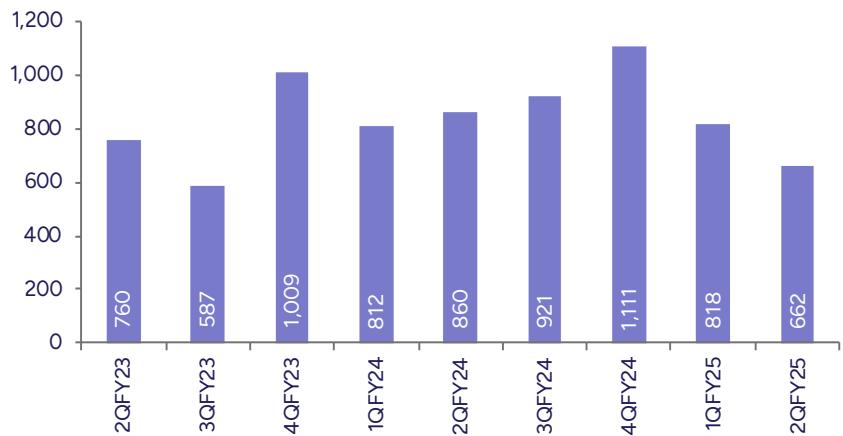
Source: Company, PL

Exhibit 3: NSR fell 6% QoQ due to weak pricing in key markets (Rs/t)



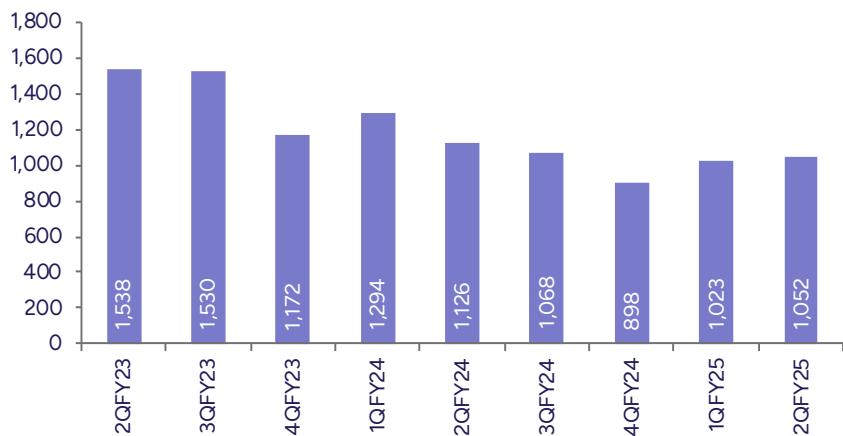
Source: Company, PL

Exhibit 4: RM cost/t declined 19% QoQ due to lower tolling volumes (Rs)



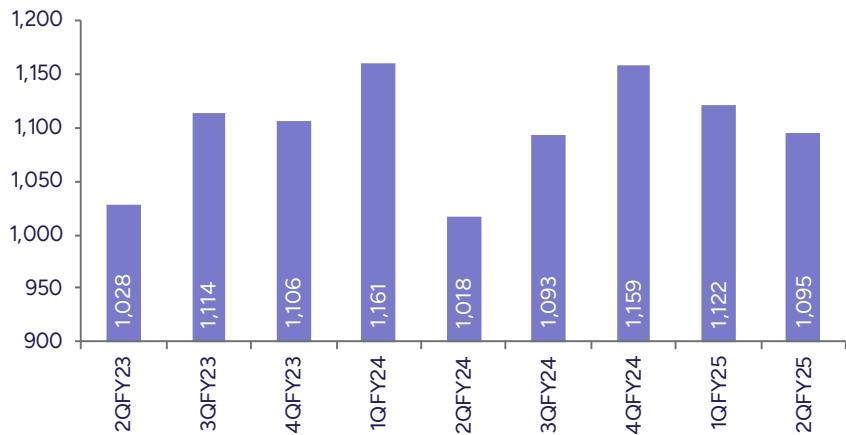
Source: Company, PL

Exhibit 5: P&F costs increased just 3% QoQ due to higher share of RE (Rs)



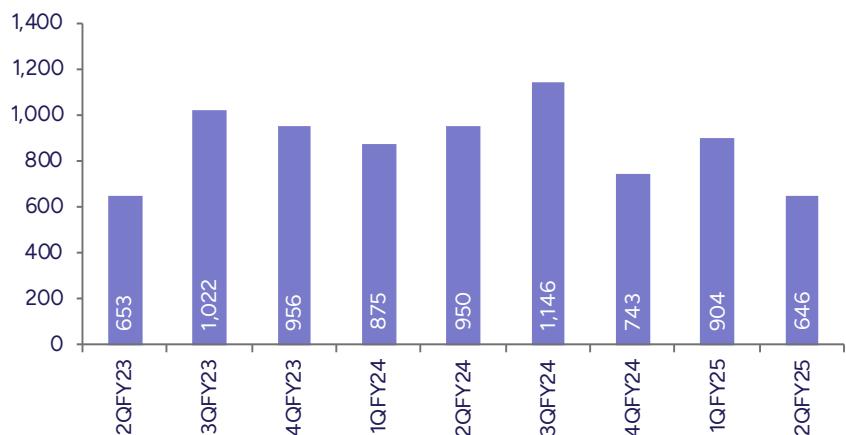
Source: Company, PL

Exhibit 6: Freight cost/t declined 2% QoQ on absence of tolling volumes (Rs)



Source: Company, PL

Exhibit 7: EBITDA/t fell 35% QoQ on lower NSR & higher other costs (Rs)



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	1,46,910	1,54,878	1,77,148	2,01,057
YoY gr. (%)	8.4	5.4	14.4	13.5
Cost of Goods Sold	27,030	25,391	28,839	33,699
Gross Profit	1,19,880	1,29,487	1,48,309	1,67,358
Margin (%)	81.6	83.6	83.7	83.2
Employee Cost	8,710	9,233	9,787	10,374
Other Expenses	6,350	6,511	6,909	7,934
EBITDA	26,390	27,541	35,382	39,408
YoY gr. (%)	13.4	4.4	28.5	11.4
Margin (%)	18.0	17.8	20.0	19.6
Depreciation and Amortization	14,980	13,556	14,914	16,272
EBIT	11,410	13,985	20,469	23,136
Margin (%)	7.8	9.0	11.6	11.5
Net Interest	3,860	4,424	4,639	4,968
Other Income	3,150	1,478	2,299	1,469
Profit Before Tax	10,690	9,909	18,128	19,637
Margin (%)	7.3	6.4	10.2	9.8
Total Tax	2,160	2,675	4,895	5,302
Effective tax rate (%)	20.2	27.0	27.0	27.0
Profit after tax	8,530	7,233	13,234	14,335
Minority interest	270	150	150	150
Share Profit from Associate	-	300	300	300
Adjusted PAT	7,710	8,513	13,384	14,485
YoY gr. (%)	(33.2)	10.4	57.2	8.2
Margin (%)	5.2	5.5	7.6	7.2
Extra Ord. Income / (Exp)	(10)	(1,130)	-	-
Reported PAT	8,260	7,383	13,384	14,485
YoY gr. (%)	(20.2)	(10.6)	81.3	8.2
Margin (%)	5.6	4.8	7.6	7.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,530	7,533	13,534	14,635
Equity Shares O/s (m)	188	188	188	188
EPS (Rs)	41.1	45.4	71.4	77.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	2,65,500	2,93,500	3,21,500	3,49,500
Tangibles	2,65,500	2,93,500	3,21,500	3,49,500
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,08,190	1,21,746	1,36,660	1,52,931
Tangibles	1,08,190	1,21,746	1,36,660	1,52,931
Intangibles	-	-	-	-
Net fixed assets	1,57,310	1,71,754	1,84,841	1,96,569
Goodwill	1,57,310	1,71,754	1,84,841	1,96,569
Non-Current Investments	7,970	7,970	7,970	7,970
Net Deferred tax assets	(17,950)	(18,049)	(18,230)	(18,427)
Other Non-Current Assets	4,290	4,290	4,290	4,290
Current Assets				
Investments	38,720	38,720	38,720	38,720
Inventories	12,180	12,730	14,560	16,525
Trade receivables	8,360	9,335	10,677	13,771
Cash & Bank Balance	5,820	5,089	3,386	9,064
Other Current Assets	6,460	6,460	6,460	6,460
Total Assets	2,77,490	2,99,728	3,21,284	3,45,749
Equity				
Equity Share Capital	380	380	380	380
Other Equity	1,63,590	1,70,416	1,81,943	1,94,365
Total Networth	1,63,970	1,70,796	1,82,323	1,94,745
Non-Current Liabilities				
Long Term borrowings	48,050	60,050	65,050	70,050
Provisions	2,640	2,640	2,640	2,640
Other non current liabilities	1,390	1,390	1,390	1,390
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	13,160	13,578	15,531	19,279
Other current liabilities	29,230	31,975	34,720	37,668
Total Equity & Liabilities	2,77,490	2,99,728	3,21,284	3,45,749

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	10,690	9,909	18,128	19,637
Add. Depreciation	14,980	13,556	14,914	16,272
Add. Interest	3,860	4,424	4,639	4,968
Less Financial Other Income	3,150	1,478	2,299	1,469
Add. Other	(3,100)	(508)	(1,269)	(499)
Op. profit before WC changes	26,430	27,381	36,412	40,378
Net Changes-WC	460	1,638	1,525	1,638
Direct tax	(540)	(2,576)	(4,713)	(5,106)
Net cash from Op. activities	26,350	26,442	33,224	36,910
Capital expenditures	(21,230)	(35,000)	(35,000)	(30,000)
Interest / Dividend Income	1,340	808	1,569	799
Others	(7,610)	-	-	-
Net Cash from Invt. activities	(27,500)	(34,192)	(33,431)	(29,201)
Issue of share cap. / premium	30	-	-	-
Debt changes	8,400	12,000	5,000	5,000
Dividend paid	(1,690)	(1,688)	(1,856)	(2,063)
Interest paid	(4,520)	(4,424)	(4,639)	(4,968)
Others	-	-	-	-
Net cash from Fin. activities	2,220	5,888	(1,495)	(2,030)
Net change in cash	1,070	(1,861)	(1,702)	5,678
Free Cash Flow	(1,920)	(8,558)	(1,776)	6,910

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	41.1	45.4	71.4	77.2
CEPS	121.0	117.7	150.9	164.0
BVPS	874.4	910.8	972.3	1,038.5
FCF	(10.2)	(45.6)	(9.5)	36.8
DPS	9.0	9.0	9.9	11.0
Return Ratio(%)				
RoCE	5.6	6.3	8.6	9.0
ROIC	5.7	5.7	7.6	8.1
RoE	4.8	5.1	7.6	7.7
Balance Sheet				
Net Debt : Equity (x)	0.0	0.1	0.1	0.1
Net Working Capital (Days)	18	20	20	20
Valuation(x)				
PER	44.5	40.3	25.7	23.7
P/B	2.1	2.0	1.9	1.8
P/CEPS	15.1	15.6	12.1	11.2
EV/EBITDA	13.1	13.1	10.4	9.3
EV/Sales	2.4	2.3	2.1	1.8
Dividend Yield (%)	0.5	0.5	0.5	0.6

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	36,040	43,070	36,210	30,870
YoY gr. (%)	7.4	10.0	(0.1)	(2.0)
Raw Material Expenses	6,260	9,780	6,050	4,450
Gross Profit	29,780	33,290	30,160	26,420
Margin (%)	82.6	77.3	83.3	85.6
EBITDA	7,790	6,540	6,690	4,340
YoY gr. (%)	21.0	(7.9)	9.7	(26.3)
Margin (%)	21.6	15.2	18.5	14.1
Depreciation / Depletion	3,700	3,280	3,170	3,360
EBIT	4,090	3,260	3,520	980
Margin (%)	11.3	7.6	9.7	3.2
Net Interest	1,080	940	950	980
Other Income	600	1,200	500	730
Profit before Tax	3,610	3,520	1,940	730
Margin (%)	10.0	8.2	5.4	2.4
Total Tax	950	320	490	240
Effective tax rate (%)	26.3	9.1	25.3	32.9
Profit after Tax	2,660	3,200	1,450	490
Minority interest	30	50	40	30
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,630	3,150	2,255	460
YoY gr. (%)	30.5	(51.1)	73.4	(61.3)
Margin (%)	7.3	7.3	6.2	1.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,630	3,150	1,410	460
YoY gr. (%)	27.7	(46.5)	8.5	(61.3)
Margin (%)	7.3	7.3	3.9	1.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,630	3,150	1,410	460
Avg. Shares O/s (m)	188	188	195	195
EPS (Rs)	14.0	16.8	11.6	2.4

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Cement Volumes (mt)	29	31	35	39
Cement Realisations (Rs/t)	4,970	4,821	4,965	5,065
Cement EBITDA (Rs/t)	916	883	1,016	1,006

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	Accumulate	2,076	1,929
2	20-Jul-24	Accumulate	2,067	1,817
3	07-Jul-24	Accumulate	2,045	1,860
4	25-Apr-24	Accumulate	2,077	1,806
5	09-Apr-24	Accumulate	2,235	2,011
6	11-Mar-24	Accumulate	2,205	1,961

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	3,457	2,439
2	Ambuja Cement	BUY	756	611
3	Dalmia Bharat	Accumulate	2,076	1,929
4	Hindalco Industries	BUY	847	748
5	Jindal Stainless	Accumulate	814	740
6	Jindal Steel & Power	Accumulate	1,090	1,021
7	JSW Steel	Accumulate	1,106	1,034
8	National Aluminium Co.	Sell	186	220
9	NMDC	Accumulate	266	237
10	Nuvoco Vistas Corporation	Accumulate	386	354
11	Shree Cement	Accumulate	27,481	26,034
12	Steel Authority of India	Reduce	131	139
13	Tata Steel	Accumulate	181	167
14	Ultratech Cement	Accumulate	13,084	11,450

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

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