

Dalmia Bharat

Estimate change



TP change



Rating change



CMP: INR1,806

TP: INR2,300 (+27%)

Buy

Volume growth strong; soft pricing remains a key challenge

Management guides for weak cement prices in 1HFY25

Bloomberg	DALBHARA IN
Equity Shares (m)	187
M.Cap.(INRb)/(USDb)	338.8 / 4.1
52-Week Range (INR)	2431 / 1767
1, 6, 12 Rel. Per (%)	-10/-30/-33
12M Avg Val (INR M)	763
Free float (%)	44.2

Financial Snapshot (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	146.9	158.4	181.0
EBITDA	26.4	29.3	36.9
Adj. PAT	7.7	9.8	13.3
EBITDA Margin (%)	18.0	18.5	20.4
Adj. EPS (INR)	41.1	52.3	71.0
EPS Gr. (%)	12.6	27.2	35.8
BV/Sh. (INR)	875	914	967

Ratios

Net D:E	0.0	0.1	0.1
RoE (%)	4.8	5.8	7.6
RoCE (%)	5.4	6.1	7.4
Payout (%)	21.9	24.9	25.3

Valuations

P/E (x)	43.9	34.5	25.4
P/BV (x)	2.1	2.0	1.9
EV/EBITDA(x)	12.0	11.2	9.3
EV/ton (USD)	86	84	84
Div. Yield (%)	0.5	0.7	1.0
FCF Yield (%)	-0.3	-1.2	0.9

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	55.8	55.8	55.9
DII	12.8	11.2	8.7
FII	11.3	12.9	12.8
Others	20.0	20.0	22.6

FII Includes depository receipts

- Dalmia Bharat (DALBHARA)'s 4QFY24 EBITDA declined 7% YoY to INR6.5b (18% miss), while EBITDA/t stood at INR743 (vs. estimated INR965). Adj. Profit (after MI) was in line at INR2.5b (down 3% YoY), due to higher other income (up 2.9x YoY).
- Management expects the cement price to remain soft in 1HFY25, amid the impending general elections followed by monsoons. It believes that price recovery can happen only in 3QFY25. Focusing on brand-building activities led to higher marketing expenses. The acquisition of JPA's cement assets is taking longer than expected due to procedural delays; however, management expects the process to be completed by 2QFY25. Further expansion plans are under discussion, and it will take a few more quarters to provide more details on the same.
- Though we are not expecting cement prices to drop further, prevailing weak prices have led us to cut our EBITDA estimates by 10%/7% for FY25/FY26. We have not yet factored in the JPA cement asset acquisition in our assumptions. The current valuations of 11x/9x FY25E/FY26E EV/EBITDA appear attractive. **We reiterate our BUY rating with a revised TP of INR2,300 (earlier INR2,500).** The completion of the acquisition of JPA's cement assets and the clarity of expansion plans will be the key triggers for stock performance.

Volume increases 19% YoY; but realization dips 7% YoY

- DALBHARA's consolidated revenue/EBITDA/adj. PAT stood at INR43b/INR6.5b/INR2.5b (up 10%/down 7%/down 3% YoY and up 3%/down 18%/down 1% vs. our estimates) in 4QFY24. Sales volume grew 19% YoY to 8.8mt (6% above our estimate). Realization at INR4,894/t (down 7% YoY and 7.7% QoQ) was 3% below our estimate during the quarter.
- Variable cost was down 8% YoY (1% higher than our estimate). Other expense/t was down 2% YoY, while freight cost/t increased 4% YoY. Opex/t declined 4% YoY (flat QoQ; 2% above our estimate). OPM contracted 2.9pp YoY to 15.2% and EBITDA/t declined 22% YoY to INR743. Other income jumped 2.9x YoY and finance cost grew 47% YoY.
- **In FY24**, the company's revenue grew 9% YoY, driven by 12% YoY growth in volume and ~3% YoY decline in realization. EBITDA grew 14% YoY to INR26b, due to higher volumes and easing cost pressures (Opex/t declined 4% YoY). OPM increased 1pp YoY to 18%, and EBITDA/t was up 2% YoY to INR917. Adjusted PAT (after MI) grew 13% YoY to INR7.7b.

Highlights from the management commentary

- Strong volume growth was fueled by market share gains in core markets and incremental volumes from tolling arrangements with JPA's cement plants. The company's volume growth should be 1.5x of the industry growth rate.
- Fuel consumption cost stood at INR1.45/Kcal vs. INR1.50/Kcal in 3QFY24. It may decline by ~1-2% QoQ due to stable petcoke prices.
- Capex is pegged at INR35b-40b in FY25, largely attributable to expansion in Bihar, the northeast, and maintenance capex. Additional cash outflow is likely to be INR35b for acquiring JPA's cement assets in FY25.

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Valuation and View

- We expect cement prices to improve in 2HFY25. We believe that there should be no further drop in prices in 1HFY25. There has been a delay in the completion of the announced acquisition of JPA's cement assets, which along with the delay in details of future expansion plans has led to a derating in valuation multiples in the last few quarters.
- The management maintains its guidance of increasing its capacity to 75-80mtpa by FY27, and we believe that it may announce expansion plans in the South region in the next few months. The stock is currently trading at 11x/9x FY25E/ FY26E EV/EBITDA. The current valuations appear attractive. **We reiterate our BUY rating with a revised TP of INR2,300 (earlier INR2,500), premised on 12x FY26E EV/EBITDA.**

Quarterly Performance (Consolidated)

Y/E March	FY23				FY24				FY23	FY24	FY24	(INR b)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Var. (%)
Net Sales	33.0	29.7	33.6	39.1	36.3	31.5	36.0	43.1	135.4	146.9	41.7	3
YoY Change (%)	27.4	15.1	22.7	15.7	10.0	6.0	7.4	10.1	20.0	8.5	6.5	
Total Expenditure	27.2	25.9	27.1	32.1	30.1	25.6	28.3	36.5	112.2	120.5	33.7	8
EBITDA	5.9	3.8	6.4	7.1	6.2	5.9	7.8	6.5	23.2	26.4	8.0	-18
Margins (%)	17.7	12.8	19.2	18.1	17.0	18.7	21.6	15.2	17.1	18.0	19.2	-403bp
Depreciation	3.1	3.3	3.3	3.4	4.0	4.0	3.7	3.3	13.1	15.0	3.8	-14
Interest	0.5	0.6	0.7	0.6	0.8	1.0	1.1	0.9	2.3	3.9	1.1	-14
Other Income	0.2	0.4	0.4	0.4	0.5	0.9	0.6	1.2	1.4	3.2	0.7	82
PBT before EO Expense	2.5	0.3	2.9	3.5	1.9	1.7	3.6	3.5	9.2	10.7	3.8	-6
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	3.6	3.5	13.0	10.7	3.8	-6
Tax	0.6	-0.2	0.7	1.3	0.4	0.5	1.0	0.3	2.4	2.2	1.0	
Prior period tax adjustment	0.0	-0.3	0.0	0.0	0.0	0.0	0.1	-0.6	-0.3	-0.6	0.0	
Rate (%)	25.5	23.3	25.5	36.5	22.2	27.9	24.7	26.7	29.6	15.0	27.1	
Reported PAT (pre minority)	1.9	0.5	2.1	6.1	1.4	1.2	2.7	3.2	10.6	8.5	2.7	17
Minority + associate	-0.1	-0.1	0.1	0.2	0.1	0.1	0.0	0.1	0.2	0.3	0.2	
PAT Adj for EO items	2.0	0.3	2.0	2.6	1.3	1.2	2.7	2.5	6.9	7.7	2.6	-1
YoY Change (%)	-30.4	-87.4	286.5	-1.9	-33.3	325.0	33.8	-3.1	-16.5	12.6	-1.9	
Per ton analysis (blended) INR/t												
Sales Dispatches (m ton)	6.2	5.8	6.3	7.4	7.0	6.2	6.8	8.8	25.7	28.8	8.3	6
YoY Change (%)	26.8	13.7	10.5	12.1	12.4	6.9	7.9	18.9	15.3	12.1	12.2	
Net realization	5,326	5,122	5,325	5,286	5,209	5,079	5,300	4,894	5,268	5,101	5,021	-3
YoY Change (%)	0.5	1.2	11.0	3.2	-2.2	-0.8	-0.5	-7.4	4.1	-3.2	-5.0	
RM Cost	677	760	587	1,014	812	860	921	1,111	771	939	885	26
Employee Expenses	319	326	306	258	319	365	325	230	300	302	276	-17
Power, Oil & Fuel	1,535	1,538	1,530	1,177	1,294	1,126	1,068	898	1,432	1,082	1,098	-18
Freight and Handling Outward	1,100	1,028	1,114	1,111	1,161	1,018	1,093	1,159	1,090	1,112	1,121	3
Other Expenses	748	817	765	772	739	761	749	753	775	750	677	11
Total Expenses	4,381	4,469	4,303	4,331	4,324	4,129	4,154	4,151	4,367	4,185	4,057	2
EBITDA	945	653	1,022	955	885	950	1,146	743	901	916	965	-23

Source: Company, MOFSL Estimates



Key takeaways from the conference call

Demand and pricing outlook

- The company's volume grew 19% YoY, with ~11-12% YoY volume growth in its core markets after adjusting for volume on a tolling basis (0.6mt) from JPA's cement plants. In 1HFY24, the company lost some market share; however, it took corrective actions and regained market share in the last two quarters. The company expects its volume growth to be 1.5x of the industry growth, even after excluding incremental volume from JPA's cement plants under tolling arrangements.
- Cement prices were under pressure in its key markets during the quarter. Mar'24 exit prices were lower by ~9-10% vs. the 3QFY24 average and lower by ~2-3% vs. the 4QFY24 average. There has been no price hike in Apr'24 so far in its key markets, and prices are expected to remain soft in 1HFY25, amid the general elections and monsoons.

Operational highlights and cost insights

- The cost of raw materials consumed increased 4% YoY to INR771/t due to an increase in fly ash and slag prices by 2% and 6%, respectively. However, due to the increase in volume with JPA (under tolling arrangements), the purchase of traded goods increased, leading to an overall increase in total RM costs. During the quarter, finished WIP and stock in trade inventory have declined INR1.4b, which led to an increase in cost of goods by INR40/t. This will be reversed in the coming two quarters with a rise in inventory levels.
- Fuel consumption cost stood at INR1.45/Kcal vs. INR1.50/Kcal in 3QFY24. It may decline by ~1-2% QoQ due to stable petcoke prices. Renewable energy's share stood at ~28% in 4QFY24. This has increased to 27% in FY24 from 21% in FY23. Green energy capacity stood at 185MW and the company will continue to invest in renewable power. Captive coal mine (Brinda) at Jharkhand is expected to become operational in FY25, which will meet part of the coal requirements for eastern plants.
- The company incurred additional logistic costs (depot expenses etc.) to regain the lost market share. This is expected to normalize in the coming quarters. The lead distance during the quarter stood at 289Km.
- Blended cement sales stood at 87% vs. 84% in 3QFY24. The C:C ratio stood at 1.67x vs. 1.66x in 3Q. Trade share stood at 65% vs. 63% in 3Q. Premium product sales stood at ~21% of total volume in 4QFY24.
- Incentives accrued stood at INR930m in 4QFY24, and incentives received stood at INR980m. For FY24, incentive accrual stood at INR3b, and incentives received stood at INR3.1b. Incentives receivable stood at INR7b as of Mar'24. For FY25, incentive accruals should be around INR3b.
- The company launched a new brand campaign "RCF strong toh Ghar strong" and repositioned Dalmia as a Roof Column Foundation expert (RCF expert). It spent INR700m in 4Q in marketing, an increase of about INR300m sequentially. The focus on branding will continue and hence, AD spending may remain high in the near term.

Expansion plans and capex

- DALBHARA's clinker/grinding capacity stands at 22.6mtpa/44.6mtpa as of FY24-end. It started a trial-run at Ariyalur, Tamil Nadu, and Kadapa, Andhra Pradesh (1mtpa grinding capacity each) in Mar'24. It is progressing well on the ongoing expansion of 0.5mtpa in Bihar and 2.4mtpa in the Northeast.
- Capex stood at INR28.3b in FY24. Capex is pegged at INR35b-40b in FY25, largely attributable to expansion in Bihar, the northeast, and maintenance capex. Additional cash outflow is likely to be INR35b for acquiring JPA's cement assets in FY25.
- The acquisition of JPA's cement assets is taking longer than expected due to procedural delays; however, management expects the process to be completed by 2QFY25. NARCL has put in a bid to take over the entire debt of JPA group and it is under evaluation.

Debt and other key highlights

- Gross debt stood at INR46.5b vs. INR49.2b in Dec'23. Net debt (ex-IEX investment) stood at INR22.7b vs. INR26.7b in Dec'23. Its net debt to EBITDA stood at 0.9x vs. 1.0x in FY23. It expects gross debt to increase to INR90b by FY25-end and net debt to increase by INR50-55b, if JP plant acquisition gets completed.

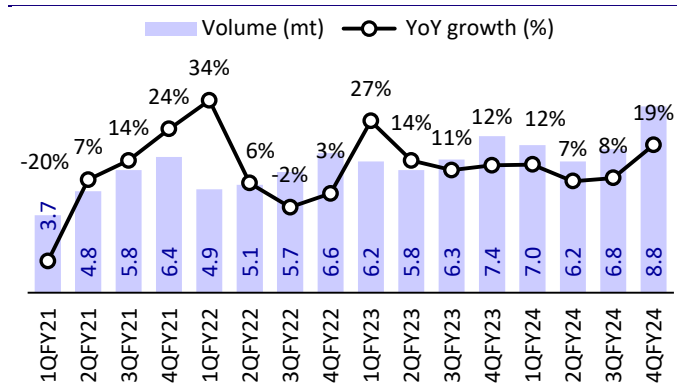
Exhibit 1: Revisions to our estimates

(INR b)	Revised		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	158.4	181	157	174.4	0.8	3.8
EBITDA	29.3	36.9	32.5	39.7	-9.7	-7
PAT	9.8	13.3	10.8	14.3	-8.9	-6.7
EPS (INR)	52.3	71	57.4	76.1	-8.9	-6.7

Source: Company, MOFSL

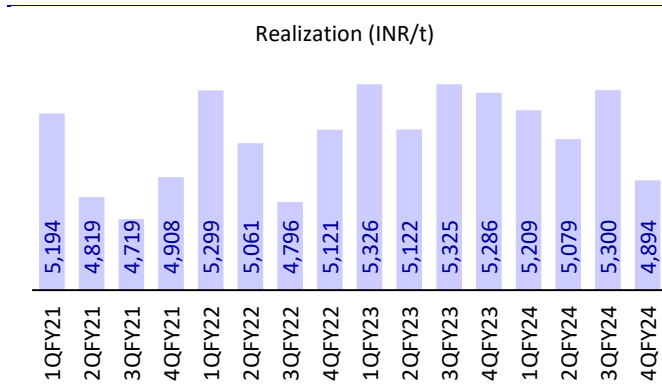
Story in charts

Exhibit 2: Sales volume up 19% YoY



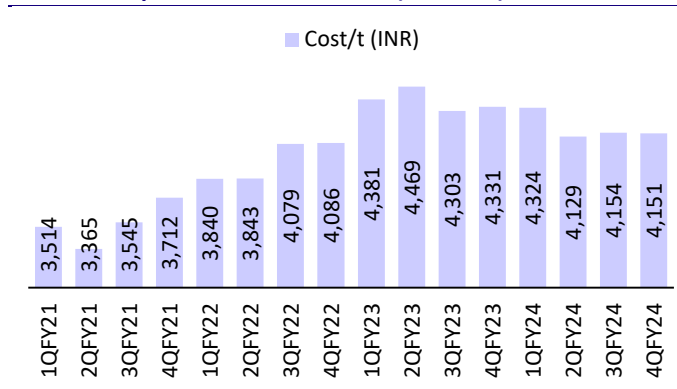
Source: Company, MOFSL

Exhibit 3: Realization declined sharply by 7%/8% YoY/QoQ



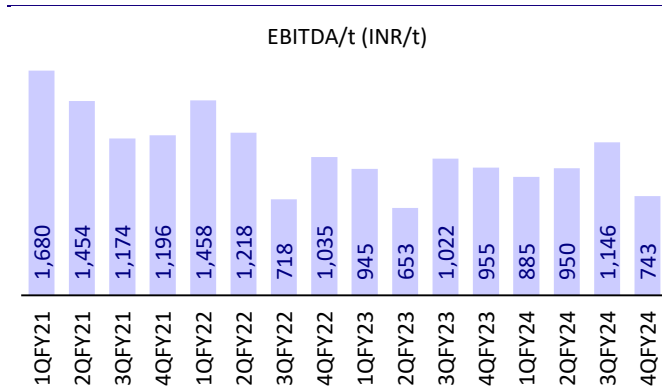
Source: Company, MOFSL

Exhibit 4: Opex/t declined 4% YoY (flat QoQ)



Source: Company, MOFSL

Exhibit 5: EBITDA/t declined 22% YoY



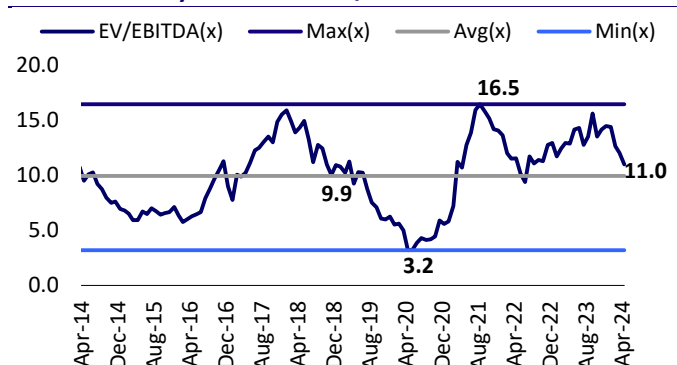
Source: Company, MOFSL

Exhibit 6: Key operating metrics (blended)

	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
INR/t					
Realization	4,894	5,286	-7	5,300	-8
RM Cost	1,111	1,014	10	921	21
Staff Cost	230	258	-11	325	-29
Power and Fuel	898	1,177	-24	1,068	-16
Freight and Forwarding	1,159	1,111	4	1,093	6
Other Expenditure	753	772	-2	749	1
Total Expenditure	4,151	4,331	-4	4,154	0
EBITDA	743	955	-22	1,146	-35

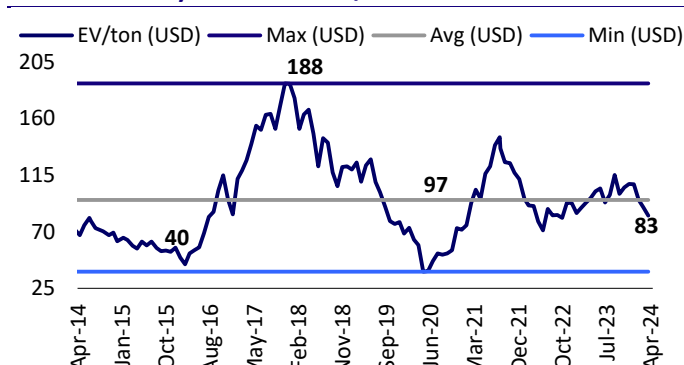
Source: Company, MOFSL

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	FY24	FY25E	FY26E
Net Sales	94,840	96,740	1,01,100	1,12,860	1,35,400	1,46,910	1,58,352	1,81,030
Change (%)	10.5	2.0	4.5	11.6	20.0	8.5	7.8	14.3
EBITDA	19,420	21,060	27,620	24,260	23,160	26,390	29,319	36,894
Margin (%)	20.5	21.8	27.3	21.5	17.1	18.0	18.5	20.4
Depreciation	12,960	15,280	12,500	12,350	13,050	14,980	14,588	17,319
EBIT	6,460	5,780	15,120	11,910	10,110	11,410	14,730	19,575
Int. and Finance Charges	5,510	4,380	2,950	2,020	2,340	3,860	4,190	4,526
Other Income - Rec.	2,440	2,170	1,810	1,600	1,380	3,150	3,011	3,146
PBT bef. EO Exp.	3,390	3,570	13,980	11,490	9,150	10,700	13,551	18,194
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	10,700	13,551	18,194
Current Tax	1,120	1,140	2,120	250	320	2,160	3,445	4,625
Deferred Tax	-1,220	50	3,330	2,900	2,100	1,310	0	0
Tax Rate (%)	-2.1	27.5	40.4	26.5	29.6	25.4	25.4	25.4
Reported PAT	3,490	2,380	11,860	8,320	10,580	7,230	10,106	13,569
Minority and Associates	-410	-140	-130	-240	-190	-270	-300	-250
PAT Adj. for EO items	3,080	2,240	8,400	8,203	6,850	7,710	9,806	13,319
Change (%)	5.5	-27.3	275.0	-2.3	-16.5	12.6	27.2	35.8
Margin (%)	3.2	2.3	8.3	7.3	5.1	5.2	6.2	7.4

Balance Sheet							(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	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	1,63,590	1,70,959	1,80,903
Net Worth	1,06,390	1,06,040	1,28,100	1,60,610	1,56,280	1,63,965	1,71,334	1,81,278
Deferred capital investment subsidy	1,290	1,400	1,240	1,250	1,660	1,560	1,560	1,560
Deferred Liabilities	11,880	12,770	16,590	15,640	16,100	17,580	17,580	17,580
Minority Interest	110	250	340	720	1,160	1,100	1,400	1,650
Total Loans	58,780	59,500	37,080	31,190	37,420	46,300	52,300	54,300
Capital Employed	1,78,450	1,79,960	1,83,350	2,09,410	2,12,620	2,30,505	2,44,174	2,56,368
Gross Block	1,66,210	1,66,440	1,86,160	2,00,360	2,16,590	2,39,020	2,68,940	3,10,910
Less: Accum. Deprn.	30,470	40,890	49,910	59,020	68,760	81,710	94,269	1,09,558
Net Fixed Assets	1,35,740	1,25,550	1,36,250	1,41,340	1,47,830	1,57,310	1,74,672	2,01,352
Capital WIP	5,200	17,400	10,060	10,450	18,710	23,950	22,000	8,000
Current Investment	23,150	26,980	32,930	43,990	29,350	38,720	38,720	38,720
Non-current Investment	1,090	1,610	7,410	13,060	5,900	5,910	5,910	5,910
Curr. Assets, Loans and Adv.	39,300	37,670	32,210	37,840	53,400	51,225	51,943	56,460
Inventory	10,320	9,740	7,600	9,460	13,160	12,180	13,883	15,871
Account Receivables	5,490	6,640	5,110	6,730	7,000	8,360	8,677	9,919
Cash and Bank Balance	4,690	4,030	2,470	1,600	2,850	3,920	2,642	3,296
Loans and Advances	18,800	17,260	17,030	20,050	30,390	26,765	26,741	27,373
Curr. Liability and Prov.	26,030	29,250	35,510	37,270	42,570	46,610	49,070	54,073
Account Payables	23,430	27,210	32,820	34,600	39,370	43,160	45,352	49,822
Provisions	2,600	2,040	2,690	2,670	3,200	3,450	3,719	4,251
Net Current Assets	13,270	8,420	-3,300	570	10,830	4,615	2,872	2,386
Appl. of Funds	1,78,450	1,79,960	1,83,350	2,09,410	2,12,620	2,30,505	2,44,174	2,56,368

E: MOFSL estimates

Financials and valuations (Consolidated)

Ratios								
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)*								
EPS	15.8	11.5	44.9	43.8	36.5	41.1	52.3	71.0
Cash EPS	82.3	89.8	111.7	109.7	106.1	121.0	130.1	163.4
BV/Share	545.6	543.8	684.6	857.2	833.6	874.6	913.9	966.9
DPS	2.0	2.0	1.3	9.0	9.0	9.0	13.0	18.0
Payout (%)	12.5	17.2	3.0	20.6	24.6	21.9	24.9	25.3
Valuation (x)*								
P/E			40.2	41.2	49.4	43.9	34.5	25.4
Cash P/E			16.2	16.4	17.0	14.9	13.9	11.0
P/BV			2.6	2.1	2.2	2.1	2.0	1.9
EV/Sales			3.3	2.8	2.4	2.2	2.1	1.9
EV/EBITDA			11.9	12.9	14.0	12.0	11.2	9.3
EV/t (USD)			130	105	102	86	84	84
Dividend Yield (%)			0.1	0.5	0.5	0.5	0.7	1.0
Return Ratios (%)								
ROIC	4.5	3.0	6.7	6.0	4.5	5.2	6.4	7.5
RoE	2.9	2.1	7.2	5.7	4.3	4.8	5.8	7.6
RoCE	5.3	3.5	6.1	5.6	4.2	5.4	6.1	7.4
Working Capital Ratios								
Asset Turnover (x)	0.5	0.5	0.6	0.5	0.6	0.6	0.6	0.7
Inventory (Days)	40	37	27	31	35	30	32	32
Debtor (Days)	21	25	18	22	19	21	20	20
Leverage Ratio (x)								
Current Ratio	1.5	1.3	0.9	1.0	1.3	1.1	1.1	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	FY24	FY25E	FY26E
OP/(Loss) before Tax	3,390	3,570	13,640	11,620	13,210	10,690	13,551	18,194
Depreciation	12,960	15,280	12,500	12,360	13,050	14,980	14,588	17,319
Interest and Finance Charges	5,510	3,640	3,190	1,930	2,310	3,860	3,870	4,366
Direct Taxes Paid	-240	-660	440	240	-140	-540	-3,445	-4,625
(Inc.)/Dec. in WC	1,500	2,740	7,810	-5,150	-770	460	363	939
CF from Operations	23,120	24,570	37,580	21,000	27,660	29,450	28,928	36,194
Others	-2,220	-1,190	-1,540	-1,680	-5,140	-3,100	-3,011	-3,146
CF from Operations incl. EO	20,900	23,380	36,040	19,320	22,520	26,350	25,917	33,048
(Inc.)/Dec. in FA	-13,290	-13,450	-10,270	-17,560	-27,010	-27,230	-30,000	-30,000
Free Cash Flow	7,610	9,930	25,770	1,760	-4,490	-880	-4,083	3,048
(Pur.)/Sale of Investments	10,320	-4,970	6,050	6,380	2,980	-1,610	-7	-14
Others	2,870	300	370	410	1,080	1,340	3,011	3,146
CF from Investments	-100	-18,120	-3,850	-10,770	-22,950	-27,500	-26,997	-26,868
Issue of Shares	40	0	-4,000	50	0	30	0	0
Inc./(Dec.) in Debt	-13,870	120	-25,340	-5,800	6,670	8,890	6,108	2,215
Interest Paid	-5,420	-4,680	-3,960	-2,320	-2,970	-4,390	-3,870	-4,366
Dividend Paid	-400	-930	0	-1,000	-1,690	-1,690	-2,437	-3,375
Others	0	-430	-450	-350	-330	-620	0	0
CF from Fin. Activity	-19,650	-5,920	-33,750	-9,420	1,680	2,220	-199	-5,526
Inc./Dec. of Cash	1,150	-660	-1,560	-870	1,250	1,070	-1,278	654
Opening Balance	3,540	4,690	4,030	2,470	1,600	2,850	3,920	2,642
Closing Balance	4,690	4,030	2,470	1,600	2,850	3,920	2,642	3,296

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NOTES

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BUY	>=15%
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UNDER REVIEW	Rating may undergo a change
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