

BSE SENSEX 75,399 S&P CNX 23,690

CMP: INR1,766 TP: INR2,230 (+26%)

BUY



Stock Info

Bloomberg	DALBHARA IN
Equity Shares (m)	188
M.Cap.(INRb)/(USDb)	332.4 / 3.5
52-Week Range (INR)	2496 / 1717
1, 6, 12 Rel. Per (%)	-8/-4/-10
12M Avg Val (INR M)	737
Free float (%)	44.2

Financials Snapshot (INR b)

Y/E MARCH	FY26	FY27E	FY28E
Sales	147.7	160.8	177.0
EBITDA	30.5	31.7	37.7
Adj. PAT	10.5	9.3	11.5
EBITDA Margin (%)	20.6	19.7	21.3
Adj. EPS (INR)	56.2	49.7	61.4
EPS Gr. (%)	51.5	-11.5	23.6
BV/Sh. (INR)	959	997	1,043

Ratios

Net D:E	0.1	0.2	0.2
RoE (%)	6.0	5.1	6.0
RoCE (%)	6.0	5.5	6.2
Payout (%)	16.0	24.1	24.4

Valuations

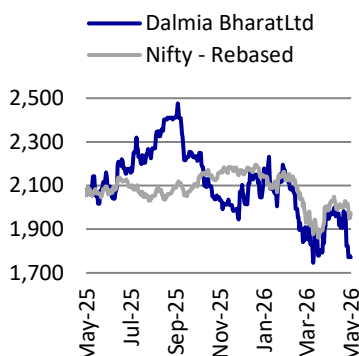
P/E (x)	31.4	35.5	28.7
P/BV (x)	1.8	1.8	1.7
EV/EBITDA(x)	10.5	10.2	9.3
EV/ton (USD)	68	64	62
Div. Yield (%)	0.5	0.7	0.8
FCF Yield (%)	0.7	-3.3	1.8

Shareholding pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	55.8	55.8	55.8
DII	20.4	19.1	16.6
FII	7.2	7.9	8.3
Others	16.6	17.1	19.3

FII Includes depository receipts

Stock performance (one-year)



Strong growth setup; valuations compelling

Underappreciated cost advantage, re-rating at the cusp of cycle turn

- The recent sharp correction in DALBHARA stock was triggered by the news that the MCA has directed investigation authorities to reinvestigate the 2019 mutual fund unit fraud case. However, the company has categorically denied allegations and stated that it has not received any such communications. Barring this news-related overhang and the near-term profitability pressure across the industry, we believe DALBHARA's underlying business fundamentals and operational performance remain steady.
- DALBHARA continues to strengthen its cost leadership position, with FY26 opex/t remaining the lowest among the top-four cement players and ~13% below that of our coverage universe. The company has benefited from its East-centric footprint, proximity to domestic coal sources, higher renewable energy usage, flexible fuel mix, and ongoing logistics optimization initiatives.
- Renewable energy contribution increased to 47% in 4QFY26 from ~39% a year ago, while freight costs remained lower despite sharp fuel inflation, aided by reduced lead distance and higher direct dispatches. Additionally, improved clinker factor and blending ratios have helped lower raw material costs. It is targeting cumulative savings of INR50-100/t over the next 15-18 months through continued efficiency measures.
- Over the past two years, the company's capacity additions have lagged its historical trend (~5% CAGR over FY24-26 vs. ~11% CAGR over FY22-24), which also constrained volume growth. However, the company accelerated its expansion plans, initially within its core market – South, where it has strong brand and distribution network, which enables a faster ramp-up of capacity utilization and drives better volume growth.
- As the cycle turns, DALBHARA appears well positioned for a swift re-rating backed by strong presence in the east and south regions, low-cost producers and potential for capacity utilization improvement. We value the stock at 12x FY28E EV/EBITDA to arrive at our TP of INR2,230. **Reiterate BUY.**

Structural cost leadership continues through operational efficiency

- DALBHARA has been delivering meaningful progress across multiple operating cost parameters. The company's opex/t is the lowest among the top-four players and ~13% lower vs. our coverage universe in FY26. This superior cost position is driven by its East-centric operational footprint with proximity to domestic coal sources, flexible fuel mix, higher renewable energy usage, and continued logistics optimization initiatives.
- On the power and fuel costs, the company expanded its renewable power capacity to 449MW, resulting in renewable energy contribution increasing to 47% in 4QFY26 vs. ~39% in 4QFY25. Further, flexibility to switch between petcoke and domestic coal supported by its plant presence near eastern coal belts provides cushion against high imported fuel prices.

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

- On the logistics, the company's freight cost/t fell ~3% in FY26 compared to FY20, despite ~26-27% surge in petrol/diesel prices over the same period. The improvement was driven by increasing direct dispatch and reducing lead distance (~280kms vs. 300Kms+ in FY20). Further optimization initiatives such as route rationalization, enhanced rail utilization, and commissioning of a new bulk terminal in Chennai are underway to reduce freight cost/t.
- Further, the company's raw material cost/t declined ~2% YoY in FY26, despite levy of additional mineral-bearing land tax by the Tamil Nadu government. Improving clinker factor and blending ratios has helped the company to reduce raw material cost. It is targeting a cumulative savings of INR50-100/t, driven by these cost measures over the next 15-18 months.

Strategic capex pipeline to drive next lag of growth

- In Feb'25, the company announced a strategic investment of INR35.2b to set up 3.6mtpa clinker and 3.0mtpa grinding capacity at its existing plant in Belgaum, Karnataka, along with 3mtpa greenfield split grinding unit in Pune, Maharashtra. Civil construction at Belgaum is progressing well and major equipment orders have already been placed, with commissioning expected in CY26. These expansions will strengthen the company's presence in Karnataka and South/West Maharashtra. The company has sufficient limestone reserves at Belgaum plant with an estimated life of 45+ years on expanded capacity, ensuring long-term raw material security and cost competitiveness.
- Further accelerating its southern expansion, it approved another major capex of INR32.9b in 1QFY26 for 3.6mtpa clinker and 6.0mtpa grinding capacity at Kadapa, Andhra Pradesh, along with a bulk terminal at Chennai, Tamil Nadu. Although the timeline for Kadapa project completion is delayed by a quarter to 3QFY28. These projects will strengthen the company's presence across southern states, while the Chennai bulk terminal will improve coastal distribution efficiency.
- After completion of these expansions, the company's clinker/grinding capacity will surge to 34.3mtpa/61.5mtpa by FY28 vs. 27.1mtpa/49.5mtpa currently (registering grinding capacity CAGR of ~12%). Looking ahead, the company is planning a large greenfield project at Jaisalmer, Rajasthan, which will mark its strategic entry into the northern region. Land acquisition and statutory approvals are underway, while the company has already secured a limestone block at an auction premium of ~22%. Management indicated that a final constructive decision is likely in the coming quarters, making Jaisalmer a key long-term growth driver in the company's pan-India expansion roadmap.

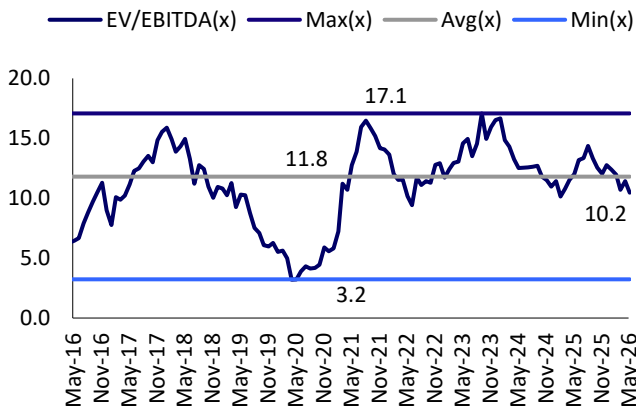
Valuation and view

- We estimate a CAGR of 9%/11% in revenue/EBITDA over FY26-28, and PAT CAGR of only ~3%, mainly due to an increase in depreciation and interest cost amid aggressive capex plans. We estimate a volume CAGR of ~8% over FY26-28 (vs. ~2% over FY24-26). EBITDA/t is estimated to decline to INR993/t (due to cost pressure) vs. INR1,015 in FY26, but may improve to INR1,081 in FY28, led by cost-saving measures and an expected decline in fuel prices.
- We estimate the company's cumulative OCF to increase to INR57.1b over FY27-28 vs. INR43.9b over FY25-26. However, we estimate cumulative net cash

outflow of INR4.9b over FY27-28 vs. net cash outflow of INR2.7b over FY25-26, due to aggressive capex. The company’s net debt is estimated to rise to INR32.6b by FY28 from INR14.2b in FY26. Its net debt-to-EBITDA ratio is estimated at 1.2x vs. 0.9x in FY26E.

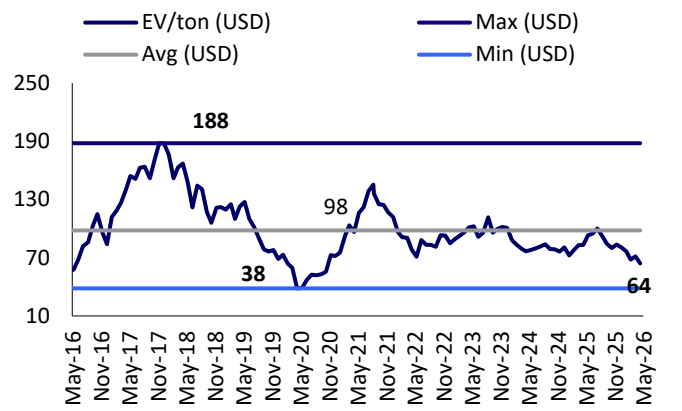
- The stock is currently trading at 10x/9x FY27E/FY28E EV/EBITDA vs. its historical one-year forward average EV/EBITDA multiple of 12x. We believe key catalysts for the stock performance will be a combination of – 1) softening of fuel prices; 2) a strong price action in its core markets (east and south); 3) timely execution of ongoing capacity expansion projects, and 4) a gradual improvement in capacity utilizations. We value the stock at 12x FY28E EV/EBITDA to arrive at our TP of INR2,230. **Reiterate BUY.**

Exhibit 1: One-year forward EV/EBITDA



Source: MOFSL, Company

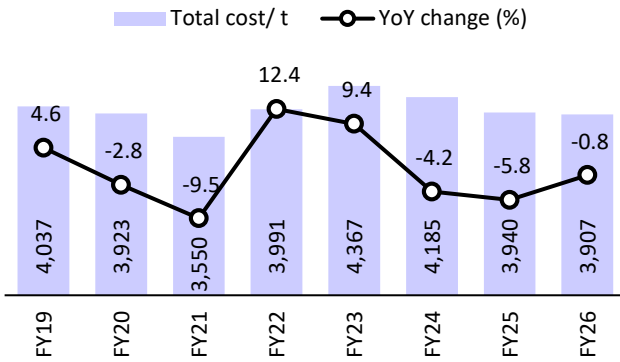
Exhibit 2: One-year forward EV/t



Source: MOFSL, Company

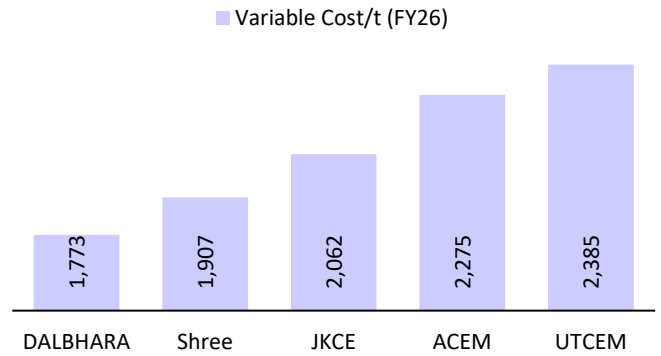
Story in charts

Exhibit 3: Opex/t of DALBHARA over the years



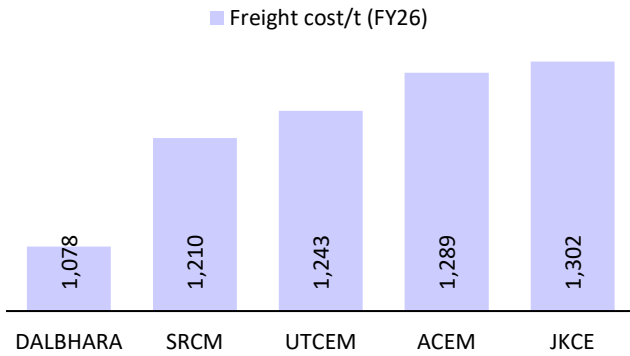
Source: MOFSL, Company; E: MOFSL estimates;

Exhibit 4: Variable cost/t of DALBHARA vs. peers in FY26



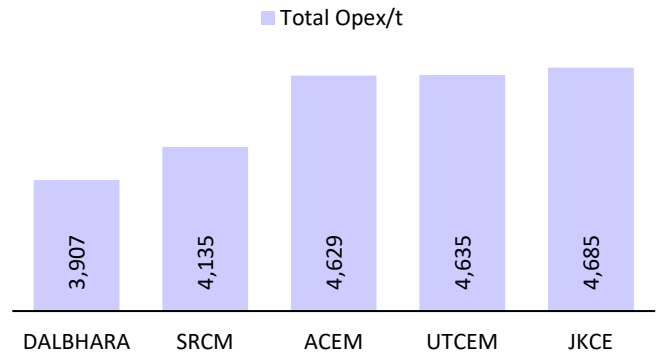
Source: MOFSL, Company; E: MOFSL estimates

Exhibit 5: Freight cost/t of DALBHARA vs. peers in FY26



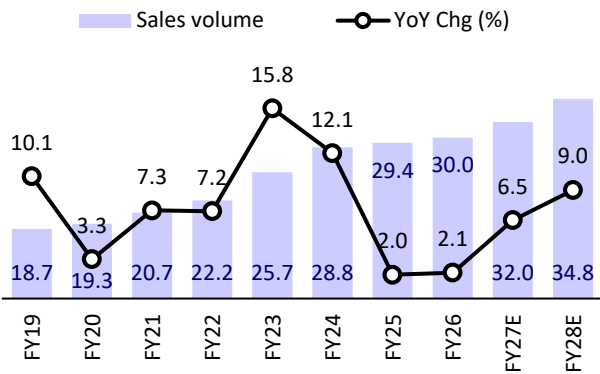
Source: MOFSL, Company; E: MOFSL estimates;

Exhibit 6: Total opex/t of DALBHARA vs. peers in FY26



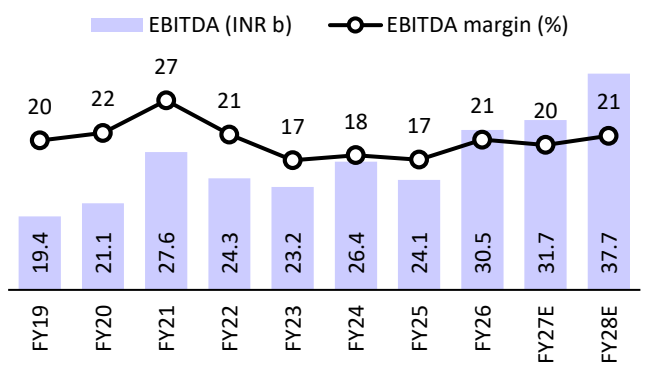
Source: MOFSL, Company; E: MOFSL estimates

Exhibit 7: Estimate Volume CAGR of ~8% over FY26-28



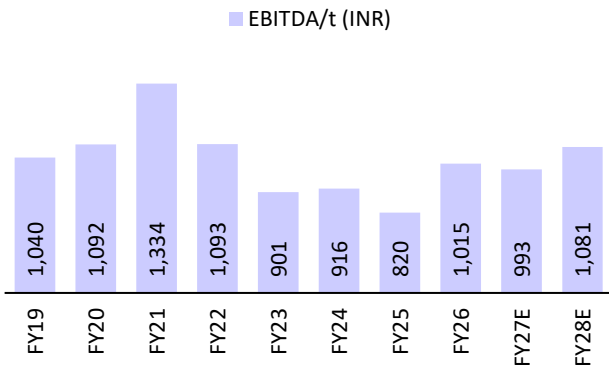
Source: MOFSL, Company

Exhibit 8: Estimate EBITDA CAGR of ~11% over FY26-28



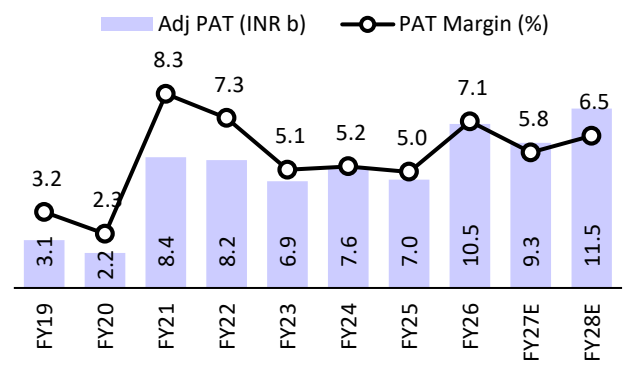
Source: MOFSL, Company

Exhibit 9: Estimate EBITDA/t to improve in FY28E



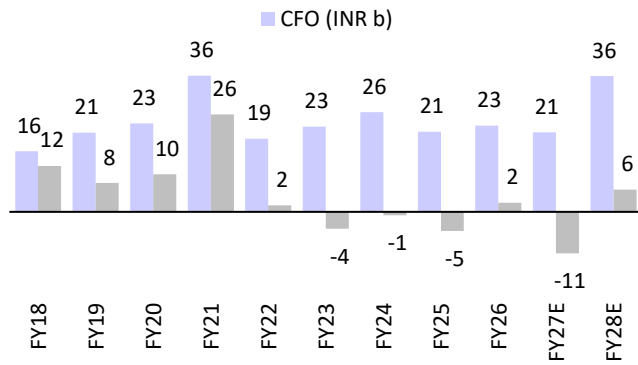
Source: MOFSL, Company; E: MOFSL estimates,

Exhibit 10: Estimate PAT to improve in FY28



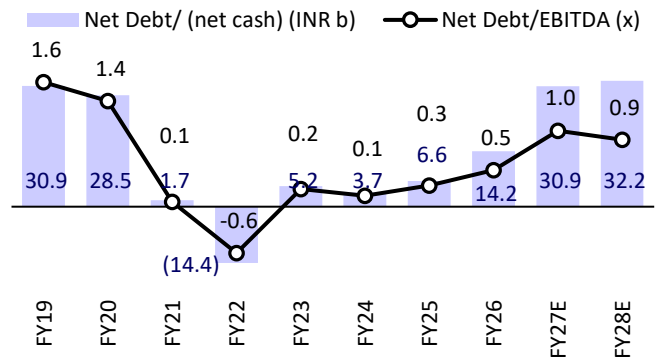
Source: MOFSL, Company; E: MOFSL estimates,

Exhibit 11: OCF to improve in FY28 supported by capacity additions



Source: MOFSL, Company; E: MOFSL estimates;

Exhibit 12: Net debt to increase, while leverage (net-debt to EBITDA ratio) remains comfortable at below 1.0x



Source: MOFSL, Company; E: MOFSL estimates

Financials and Valuations (Consolidated)

Income Statement								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Sales	1,01,100	1,12,860	1,35,400	1,46,910	1,39,800	1,47,670	1,60,783	1,76,995
Change (%)	4.5	11.6	20.0	8.5	-4.8	5.6	8.9	10.1
EBITDA	27,620	24,260	23,160	26,390	24,070	30,460	31,714	37,664
Margin (%)	27.3	21.5	17.1	18.0	17.2	20.6	19.7	21.3
Depreciation	12,500	12,350	13,050	14,980	13,310	13,490	15,046	16,828
EBIT	15,120	11,910	10,110	11,410	10,760	16,970	16,667	20,835
Int. and Finance Charges	2,950	2,020	2,340	3,860	3,990	4,800	6,235	7,566
Other Income - Rec.	1,810	1,600	1,380	3,150	2,530	2,220	2,287	2,422
PBT bef. EO Exp.	13,980	11,490	9,150	10,700	9,300	14,390	12,719	15,691
EO Expense/(Income)	-3,330	20	-3,850	0	1,130	-110	0	0
PBT after EO Exp.	17,310	11,470	13,000	10,700	8,170	14,500	12,719	15,691
Current Tax	2,120	250	320	1,410	1,140	290	3,235	3,991
Deferred Tax	3,330	2,900	2,100	750	40	2,630	0	0
Tax Rate (%)	40.4	26.5	29.6	25.4	20.4	25.4	25.4	25.4
Reported PAT	11,860	8,320	10,580	8,540	6,990	11,580	9,484	11,700
Minority and Associates	-130	-240	-190	-270	-160	-180	-160	-180
PAT Adj. for EO items	8,400	8,203	6,850	7,640	6,950	10,530	9,324	11,520
Change (%)	275.0	-2.3	-16.5	11.5	-9.0	51.5	-11.5	23.6
Margin (%)	8.3	7.3	5.1	5.2	5.0	7.1	5.8	6.5

Balance Sheet								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	374	375	375	375	375	375	375	375
Total Reserves	1,27,726	1,60,235	1,55,905	1,63,590	1,73,360	1,79,410	1,86,484	1,95,192
Net Worth	1,28,100	1,60,610	1,56,280	1,63,965	1,73,735	1,79,785	1,86,859	1,95,567
Deferred capital investment subsidy	1,240	1,250	1,660	1,560	1,740	2,100	2,100	2,100
Deferred Liabilities	16,590	15,640	16,100	17,580	19,810	21,840	21,840	21,840
Minority Interest	340	720	1,160	1,100	1,260	1,440	1,600	1,780
Total Loans	37,080	31,190	37,420	46,300	52,580	67,520	84,020	89,520
Capital Employed	1,83,350	2,09,410	2,12,620	2,30,505	2,49,125	2,72,685	2,96,419	3,10,807
Gross Block	1,86,160	2,00,360	2,16,590	2,39,020	2,66,140	2,99,913	3,34,173	3,84,173
Less: Accum. Deprn.	49,910	59,020	68,760	81,710	93,490	1,06,613	1,21,659	1,38,488
Net Fixed Assets	1,36,250	1,41,340	1,47,830	1,57,310	1,72,650	1,93,300	2,12,513	2,45,685
Capital WIP	10,060	10,450	18,710	23,950	26,160	27,260	25,000	5,000
Current Investment	32,930	43,990	29,350	38,720	44,440	51,050	51,050	51,050
Non-current Investment	7,410	13,060	5,900	5,910	7,160	8,140	8,140	8,140
Curr. Assets, Loans and Adv.	32,210	37,840	53,400	51,225	51,295	52,835	55,180	61,989
Inventory	7,600	9,460	13,160	12,180	13,860	11,920	14,271	15,709
Account Receivables	5,110	6,730	7,000	8,360	8,890	8,640	9,407	10,356
Cash and Bank Balance	2,470	1,600	2,850	3,920	1,580	2,240	2,116	6,224
Loans and Advances	17,030	20,050	30,390	26,765	26,965	30,035	29,386	29,699
Curr. Liability and Prov.	35,510	37,270	42,570	46,610	52,580	59,900	55,465	61,057
Account Payables	32,820	34,600	39,370	43,160	48,300	55,330	50,489	55,580
Provisions	2,690	2,670	3,200	3,450	4,280	4,570	4,976	5,478
Net Current Assets	-3,300	570	10,830	4,615	-1,285	-7,065	-285	932
Appl. of Funds	1,83,350	2,09,410	2,12,620	2,30,505	2,49,125	2,72,685	2,96,419	3,10,807

E: MOFSL estimates

Financials and Valuations (Consolidated)

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)*								
EPS	44.9	43.8	36.5	40.8	37.1	56.2	49.7	61.4
Cash EPS	111.7	109.7	106.1	120.6	108.0	128.1	130.0	151.2
BV/Share	684.6	857.2	833.6	874.6	926.7	959.0	996.7	1,043.1
DPS	1.3	9.0	9.0	9.0	9.0	9.0	12.0	15.0
Payout (%)	3.0	20.6	24.6	22.1	24.3	16.0	24.1	24.4
Valuation (x)*								
P/E	39.3	40.3	48.3	43.3	47.6	31.4	35.5	28.7
Cash P/E	15.8	16.1	16.6	14.6	16.3	13.8	13.6	11.7
P/BV	2.6	2.1	2.1	2.0	1.9	1.8	1.8	1.7
EV/Sales	3.2	2.7	2.3	2.1	2.2	2.2	2.1	2.0
EV/EBITDA	11.7	12.6	13.7	11.8	12.9	10.5	10.2	9.3
EV/t (USD)	111	90	87	74	67	68	64	62
Dividend Yield (%)	0.1	0.5	0.5	0.5	0.5	0.5	0.7	0.8
Return Ratios (%)								
RoIC	6.7	6.0	4.5	5.2	5.0	6.9	6.1	6.7
RoE	7.2	5.7	4.3	4.8	4.1	6.0	5.1	6.0
RoCE	6.1	5.6	4.2	5.4	4.8	6.0	5.5	6.2
Working Capital Ratios								
Asset Turnover (x)	0.6	0.5	0.6	0.6	0.6	0.5	0.5	0.6
Inventory (Days)	27	31	35	30	36	29	32	32
Debtor (Days)	18	22	19	21	23	21	21	21
Leverage Ratio (x)								
Current Ratio	0.9	1.0	1.3	1.1	1.0	0.9	1.0	1.0
Debt/Equity ratio	0.3	0.2	0.2	0.3	0.3	0.4	0.4	0.5

Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
(INR m)								
OP/(Loss) before Tax	13,640	11,620	13,210	10,690	8,170	14,500	12,719	15,691
Depreciation	12,500	12,360	13,050	14,980	13,310	13,490	15,046	16,828
Interest and Finance Charges	3,190	1,930	2,310	3,860	3,990	4,800	6,205	7,536
Direct Taxes Paid	440	240	-140	-540	-710	-990	-3,235	-3,991
(Inc.)/Dec. in WC	7,810	-5,150	-770	460	-2,300	-6,590	-7,418	2,256
CF from Operations	37,580	21,000	27,660	29,450	22,460	25,210	23,317	38,320
Others	-1,540	-1,680	-5,140	-3,100	-1,290	-2,430	-2,287	-2,422
CF from Operations incl. EO	36,040	19,320	22,520	26,350	21,170	22,780	21,031	35,898
(Inc.)/Dec. in FA	-10,270	-17,560	-27,010	-27,230	-26,260	-20,410	-32,000	-30,000
Free Cash Flow	25,770	1,760	-4,490	-880	-5,090	2,370	-10,969	5,898
(Pur.)/Sale of Investments	6,050	6,380	2,980	-1,610	2,200	-10,490	-12	-14
Others	370	410	1,080	1,340	1,360	670	2,287	2,422
CF from Investments	-3,850	-10,770	-22,950	-27,500	-22,700	-30,230	-29,725	-27,592
Issue of Shares	-4,000	50	0	0	0	0	0	0
Inc./Dec. in Debt	-25,340	-5,800	6,670	8,890	6,480	15,310	17,026	6,150
Interest Paid	-3,960	-2,320	-2,970	-4,390	-4,440	-4,460	-6,205	-7,536
Dividend Paid	0	-1,000	-1,690	-1,690	-1,690	-1,690	-2,250	-2,812
Others	-450	-350	-330	-590	-740	-1,080	0	0
CF from Fin. Activity	-33,750	-9,420	1,680	2,220	-390	8,080	8,571	-4,198
Inc./Dec. in Cash	-1,560	-870	1,250	1,070	-1,920	630	-123	4,108
Opening Balance	4,030	2,470	1,600	2,850	3,500	1,610	2,240	2,116
Closing Balance	2,470	1,600	2,850	3,920	1,580	2,240	2,116	6,224

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NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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