

Dalmia Bharat

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR2,204 **TP: INR2,800 (+27%)** **Buy**

EBITDA in line; reiterates long-term capacity expansion target

Expects mid-teens volume growth in FY25

Bloomberg	DALBHARA IN
Equity Shares (m)	187
M.Cap.(INRb)/(USD\$b)	413.6 / 5
52-Week Range (INR)	2431 / 1672
1, 6, 12 Rel. Per (%)	0/7/8
12M Avg Val (INR M)	707

Financial Snapshot (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Sales	144.6	162.0	181.5
EBITDA	28.9	35.3	43.1
Adj. PAT	8.5	12.2	16.7
EBITDA Margin (%)	20.0	21.8	23.7
Adj. EPS (INR)	45.4	64.9	89.1
EPS Gr. (%)	24.3	43.0	37.2
BV/Sh. (INR)	869	921	992

Ratios

Net D:E	0.0	0.1	0.0
RoE (%)	5.3	7.3	9.3
RoCE (%)	5.9	7.3	8.8
Payout (%)	22.0	20.0	20.2

Valuations

P/E (x)	48.5	33.9	24.7
P/BV (x)	2.5	2.4	2.2
EV/EBITDA(x)	14.3	11.5	9.4
EV/ton (USD)	107	104	99
Div. Yield (%)	0.5	0.6	0.8
FCF Yield (%)	0.1	0.2	2.9

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	55.8	55.9	55.9
DII	11.2	9.6	8.3
FII	12.9	14.1	12.4
Others	20.0	21.3	23.4

FII Includes depository receipts

- DALBHARA's 3QFY24 EBITDA came in at INR7.75b vs. estimated INR7.4b and EBITDA/t stood at INR1,140 vs. estimated INR1,133. Adj. PAT (after MI) came in at INR2.7b (up 34% YoY) vs. estimated INR2.2b, driven by lower-than-estimated depreciation.

- Volume in core markets grew ~2% YoY (adjusted for 0.4mt sold through tolling arrangements with JPA in central India). It targets mid-teens volume growth in FY25. Cement prices remained weak in Jan'24. The management expects a CAGR of 1.5% in cement prices in the long term. It is confident of completing the acquisition of JPA cement assets in the next few months.

- We largely maintain our estimates for FY24-FY26. We have not yet factored in the JPA cement asset acquisition in our assumptions. The stock is currently trading at an attractive valuation of 11.5x/9x FY25E/FY26E EV/EBITDA. We reiterate our BUY rating with a TP of INR2,800.

EBITDA/t came at INR1,140; OPM surged 2.3pp YoY

- Consolidated revenue/EBITDA/adj. PAT stood at INR36b/INR7.75b/INR2.7b (up 7%/20%/34% YoY and up 3%/4%/24% vs. our estimates) in 3QFY24. Volumes grew 8% YoY to 6.8mt (up 3% vs. our estimate). Realization at INR5,294/t (up 4% QoQ) was in line with our estimates.

- Variable costs fell 6% YoY (in line with our estimate). Freight costs and other expenses/t declined 2% YoY each. Opex/t was down 3% YoY (in line with our estimate). OPM surged 2.3pp YoY to 21.5% and EBITDA/t grew 11% YoY to INR1,140. Other income increased 78% YoY, while finance/depreciation costs grew 57%/14% YoY.

- In 9MFY24, revenue grew 8% YoY, led by 9% volume growth and ~1% decline in realization. EBITDA grew 23% YoY to INR20b due to higher volumes and easing cost pressures (opex/t down 4% YoY). EBITDA/t rose 12% YoY to INR990. Adjusted PAT (after MI) grew 22% YoY to INR5.2b.

Highlights from the management commentary

- Despite demand softness in the east markets, the company's volume grew, indicating some market share gain. Prices overall declined by 3QFY24'end. Dec'23-exit price was similar to Sep'23-exit price.

- Fuel consumption costs stood at INR1.50/Kcal vs. INR1.58/Kcal in 2QFY24. It expects further reduction of ~3% QoQ in fuel costs in 4QFY24.

- Capex in FY24E will be INR30b (INR21b in 9MFY24). Additional, cash outflow for JPA cement asset acquisition is expected to be INR33b in FY24E.

View and valuations

- We are optimistic about the company's long-term strategy – robust capacity expansion plans of 75mtpa/110-130mtpa by FY27/FY30, initiatives toward sustainable growth (focusing on increasing green power, blended cement and AFR share) and a strong balance sheet with a target to maintain a net-debt-EBITDA ratio of less than 2x.

- The stock is currently trading at an attractive valuation of 11.5x/9x FY25E/FY26E EV/EBITDA. We reiterate our BUY rating with a TP of INR2,800.

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Quarterly Performance (Consolidated)

(INR b)

Y/E March	FY23				FY24				FY23	FY24E	FY24	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Net Sales	33.0	29.7	33.6	39.1	36.2	31.5	36.0	40.8	135.4	144.6	34.9	3
YoY Change (%)	27.4	15.1	22.7	15.7	9.8	6.0	7.3	4.4	20.0	6.8	4.0	
Total Expenditure	27.2	25.9	27.1	32.1	30.1	25.6	28.3	31.7	112.2	115.7	27.4	3
EBITDA	5.9	3.8	6.4	7.1	6.1	5.9	7.8	9.1	23.2	28.9	7.4	4
Margins (%)	17.7	12.8	19.2	18.1	16.8	18.7	21.5	22.4	17.1	20.0	21.3	19bp
Depreciation	3.1	3.3	3.3	3.4	4.0	4.0	3.7	4.0	13.1	15.7	4.1	-10
Interest	0.5	0.6	0.7	0.6	0.8	1.0	1.1	1.0	2.3	3.9	1.0	9
Other Income	0.2	0.4	0.4	0.4	0.6	0.9	0.6	0.7	1.4	2.7	0.7	-9
PBT before EO Expense	2.5	0.3	2.9	3.5	1.9	1.7	3.6	4.8	9.2	12.0	3.1	18
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	4.8	13.0	12.0	3.1	18
Tax	0.6	-0.2	0.7	1.3	0.4	0.5	1.0	1.3	2.4	3.1	0.8	
Prior period tax adjustment	0.0	-0.3	0.0	0.0	0.0	0.0	0.1	0.0	-0.3	0.0	0.0	
Rate (%)	25.5	23.3	25.5	36.5	22.2	27.9	24.7	26.8	29.6	26.1	26.0	
Reported PAT (pre minority)	1.9	0.5	2.1	6.1	1.4	1.2	2.7	3.5	10.6	8.9	2.3	18
Minority + associate	-0.1	-0.1	0.1	0.2	0.1	0.1	0.0	0.2	0.2	0.4	0.1	
PAT Adj for EO items	2.0	0.3	2.0	2.6	1.3	1.2	2.7	3.3	6.9	8.5	2.2	24
YoY Change (%)	-30.4	-87.4	286.5	-1.9	-33.3	325.0	33.8	27.7	-16.5	24.3	7.9	
Per ton analysis (blended) INR/t												
Sales Dispatches (m ton)	6.2	5.8	6.3	7.4	7.0	6.2	6.8	7.8	25.7	27.8	6.6	3
YoY Change (%)	26.8	13.7	10.5	12.1	12.4	6.9	7.9	5.2	15.3	8.0	4.3	
Net realization	5,326	5,122	5,325	5,286	5,199	5,079	5,294	5,245	5,268	5,208	5,308	-0
YoY Change (%)	0.5	1.2	11.0	3.2	-2.4	-0.8	-0.6	-0.8	4.1	-1.1	-0.3	
RM Cost	677	760	587	1,014	812	860	921	850	771	860	881	4
Employee Expenses	319	326	306	258	319	365	325	294	300	324	341	-5
Power, Oil & Fuel	1,535	1,538	1,530	1,177	1,294	1,126	1,068	1,095	1,432	1,145	1,106	-3
Freight and Handling Outward	1,100	1,028	1,114	1,111	1,161	1,018	1,093	1,122	1,090	1,101	1,110	-2
Other Expenses	748	817	765	772	739	761	749	708	775	738	737	2
Total Expenses	4,381	4,469	4,303	4,331	4,324	4,129	4,154	4,070	4,367	4,168	4,175	-0
EBITDA	945	653	1,022	955	875	950	1,140	1,175	901	1,041	1,133	1

Source: Company, MOFSL Estimates



Key takeaways from the conference call

Demand and pricing outlook

- The company's volume grew 8% YoY, with ~2% YoY volume growth in its core markets after adjusting for volume on tolling basis (0.4mt) from JP group plants. Despite demand softness in the east markets, the company's volume grew, which indicates some market share gain. It anticipates mid-teens volume growth in FY25.
- Cement prices increased in its core markets (South and East) in 3QFY24, which led to a ~4% QoQ increase in realization. However, prices declined by 3Q-end, and Dec'23-exit price was similar to Sep'23-exit price. In Jan'24, prices remained weak. The prices could be volatile in the near term, but in the long term, the company expects a 1.5% CAGR in cement prices.

Operational highlights and cost insights

- The cost of raw materials consumed was largely flat QoQ/YoY at INR781. However, due to increasing volume with JPA (under tolling arrangement), the purchase of traded goods increased, leading to an overall increase in total RM costs.
- Power and fuel costs declined due to a softening in fuel prices. Fuel consumption costs stood at INR1.50/Kcal (decline of USD50/t YoY) vs. INR1.58 in 2QFY24. It expects further reduction of ~3% QoQ in fuel costs in 4QFY24. Renewable energy share dropped to ~25% vs. ~29% in 2QFY24 due to RE plant

shutdown, which has again normalized. DALBHARA expects green energy share to increase to ~35% by FY25. Green energy capacity stood at 177MW and the company aims to increase it to 202MW/328MW+ by FY24/FY25.

- Freight costs increased QoQ due to an increase in lead distance (+6km QoQ to 283km) and a busy season surcharge by Indian railways on rail freight. Road:Rail mix was at 86:16. It does not expect a material change in lead distance.
- Blended cement sales stood at 84% vs. 88% 2QFY24. The C:C (clinker to cement conversion) ratio stood at 1.66x vs. 1.71x, and the company remains focused on increasing the C:C ratio. Trade share stood at 63% and premium product sales stood at 43% of trade volume in 3QFY24.
- Incentives accrued stood at INR690m in 3QFY24, and incentives received stood at INR153m. For 9MFY24, incentive accrual stood at INR2.2b and incentives received stood at INR2.2b. Incentives receivable stand at INR7.2b as of Dec'23. For FY24, total incentive accruals should be between INR2.5b and INR3.0b.

Expansion plans and capex

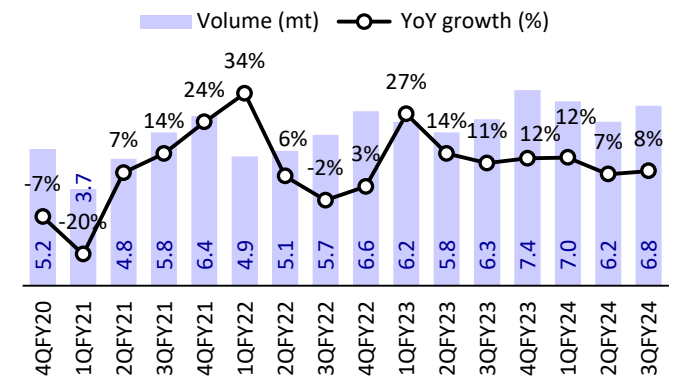
- Capex stood at INR21b in 9MFY24 and total capex in FY24E should be INR30b. Additional cash outflow is expected to be INR33b for JPA cement asset acquisition by Mar'24-end (one month here and there). Capex guidance for FY25 is INR30-35b (included expansion in east and north-east region). The company targets to increase capacity to 75mtpa by FY27, for which a detailed plan will be shared in the next earnings call.
- The company commissioned 0.9mtpa grinding capacity at Belgaum, Karnataka, in 3QFY24. Its total clinker/grinding capacity stood at 22.4mtpa/44.6mtpa. Further, brownfield expansion of 1mtpa (each) at Ariyalur, Tamil Nadu, and Kadapa, Andhra Pradesh, is likely to be completed in 4QFY24. Post completion of these expansions, the company's grinding capacity will increase to 46.6mtpa.
- The approval process for the JPA acquisition from various banks is pending and this transaction is expected to be finalized by Mar'24.

Debt and other key highlights

- Gross debt stood at INR49.3b vs. INR52.9b in Sep'23. Net debt stood at INR431m vs. INR15b in Sep'23. Its net debt to EBITDA stood at 0.16x vs. 0.59x as of Sep'23. The company has surplus cash, hence repaid some of short-term debt in 3QFY24.
- The company received the second installment of INR3.2b for the sale of its stake in the refractory business and the final installment of INR1.2b for the sale of Hippo stores (non-core businesses) from the promoter group companies. The balance INR3.2b for refractory business divestment will be received in Sep'24.

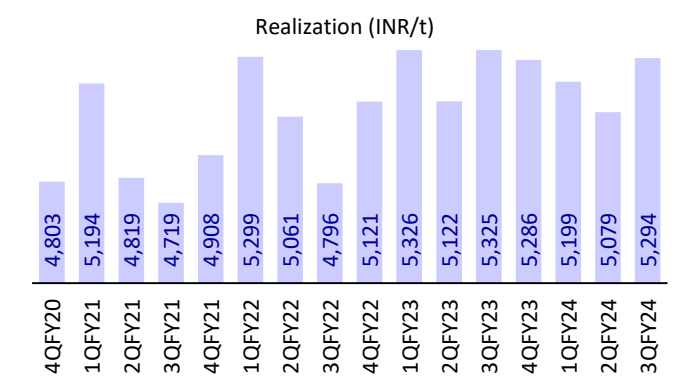
Story in charts

Exhibit 1: Sales volume up 8% YoY



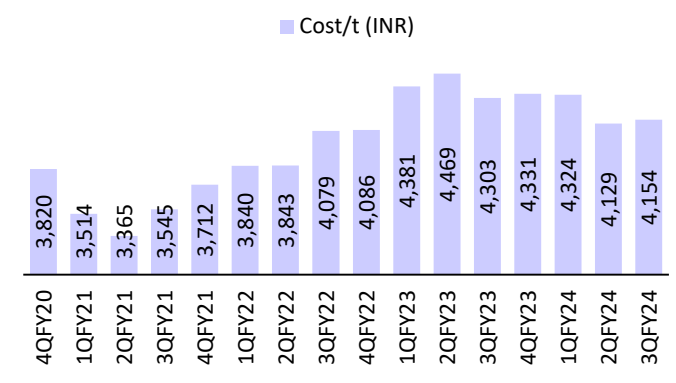
Source: Company, MOFSL

Exhibit 2: Realization increased 4% QoQ



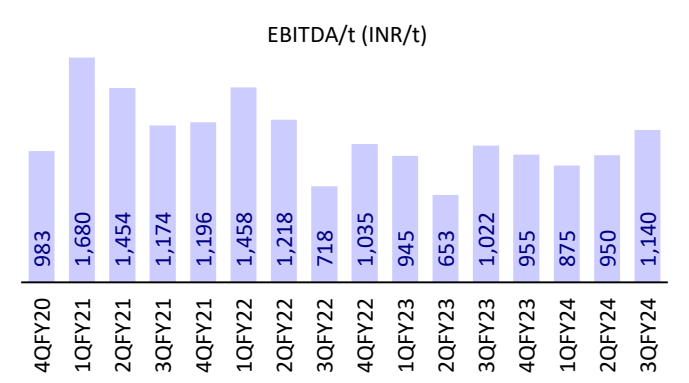
Source: Company, MOFSL

Exhibit 3: Opex/t declined 3% YoY (up 1% QoQ)



Source: Company, MOFSL

Exhibit 4: EBITDA/t grew 11% YoY and 20% QoQ



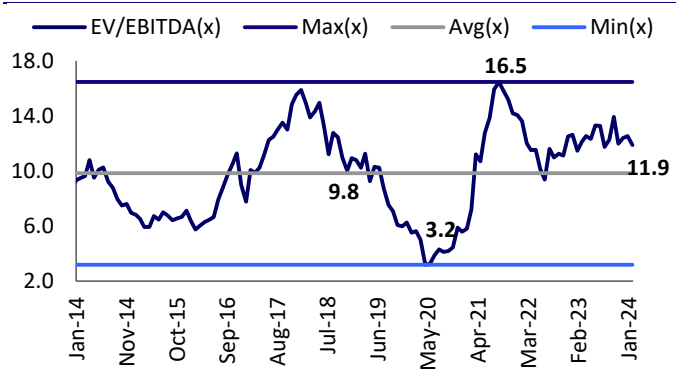
Source: Company, MOFSL

Exhibit 5: Key operating metrics (blended)

INR/t	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)
Realization	5,294	5,325	-1%	5,079	4%
RM Cost	921	587	57%	860	7%
Staff Cost	325	306	6%	365	-11%
Power and Fuel	1,068	1,530	-30%	1,126	-5%
Freight and Forwarding	1,093	1,114	-2%	1,018	7%
Other Expenditure	749	765	-2%	761	-2%
Total Expenditure	4,154	4,303	-3%	4,129	1%
EBITDA	1,140	1,022	11%	950	20%

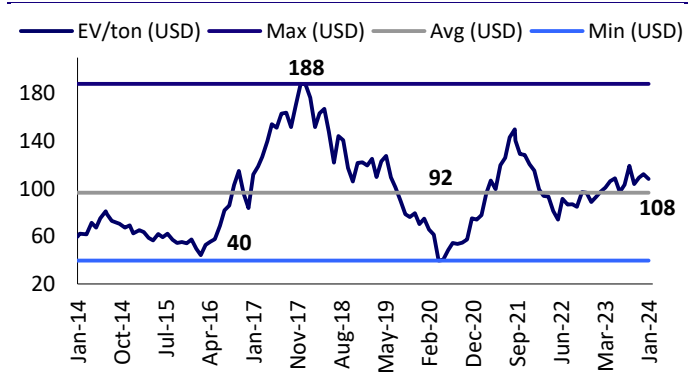
Source: Company, MOFSL

Exhibit 6: One-year forward EV/EBITDA



Source: Company, MOFSL

Exhibit 7: 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	1,44,567	1,62,009	1,81,540
Change (%)	10.5	2.0	4.5	11.6	20.0	6.8	12.1	12.1
EBITDA	19,420	21,060	27,620	24,260	23,160	28,890	35,265	43,103
Margin (%)	20.5	21.8	27.3	21.5	17.1	20.0	21.8	23.7
Depreciation	12,960	15,280	12,500	12,350	13,050	15,686	17,100	19,419
EBIT	6,460	5,780	15,120	11,910	10,110	13,204	18,165	23,685
Int. and Finance Charges	5,510	4,380	2,950	2,020	2,340	3,944	4,070	3,585
Other Income - Rec.	2,440	2,170	1,810	1,600	1,380	2,720	2,802	2,886
PBT bef. EO Exp.	3,390	3,570	13,980	11,490	9,150	11,980	16,896	22,986
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	11,980	16,896	22,986
Current Tax	1,120	1,140	2,120	250	320	3,127	4,325	5,884
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	8,853	12,571	17,101
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	8,453	12,171	16,701
Change (%)	5.5	-27.3	275.0	-2.3	-16.5	23.4	44.0	37.2
Margin (%)	3.2	2.3	8.3	7.3	5.1	5.8	7.5	9.2

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	1,62,483	1,72,217	1,85,543
Net Worth	1,06,390	1,06,040	1,28,100	1,60,610	1,56,280	1,62,858	1,72,591	1,85,918
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	43,420
Capital Employed	1,78,450	1,79,960	1,83,350	2,09,410	2,12,620	2,28,098	2,39,231	2,49,458
Gross Block	1,66,210	1,66,440	1,86,160	2,00,360	2,16,590	2,56,270	2,78,240	3,14,210
Less: Accum. Deprn.	30,470	40,890	49,910	59,020	68,760	82,416	97,486	1,14,875
Net Fixed Assets	1,35,740	1,25,550	1,36,250	1,41,340	1,47,830	1,73,854	1,80,754	1,99,335
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	29,350	29,350	29,350
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	57,210	55,455	61,156
Inventory	10,320	9,740	7,600	9,460	13,160	13,863	15,535	17,408
Account Receivables	5,490	6,640	5,110	6,730	7,000	7,921	8,877	9,947
Cash and Bank Balance	4,690	4,030	2,470	1,600	2,850	8,900	7,220	11,883
Loans and Advances	18,800	17,260	17,030	20,050	30,390	26,525	23,823	21,918
Curr. Liability and Prov.	26,030	29,250	35,510	37,270	42,570	45,216	50,227	56,283
Account Payables	23,430	27,210	32,820	34,600	39,370	41,799	46,399	51,992
Provisions	2,600	2,040	2,690	2,670	3,200	3,417	3,829	4,290
Net Current Assets	13,270	8,420	-3,300	570	10,830	11,994	5,228	4,873
Appl. of Funds	1,78,450	1,79,960	1,83,350	2,09,410	2,12,620	2,28,098	2,39,231	2,49,458

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	64.9	89.1
Cash EPS	82.3	89.8	111.7	109.7	106.1	128.7	156.1	192.6
BV/Share	545.6	543.8	684.6	857.2	833.6	868.7	920.6	991.7
DPS	2.0	2.0	1.3	9.0	9.0	10.0	13.0	18.0
Payout (%)	12.5	17.2	3.0	20.6	24.6	22.2	20.0	20.2
Valuation (x)*								
P/E			49.1	50.3	60.3	48.9	33.9	24.7
Cash P/E			19.7	20.1	20.8	17.1	14.1	11.4
P/BV			3.2	2.6	2.6	2.5	2.4	2.2
EV/Sales			4.0	3.4	3.0	2.9	2.5	2.2
EV/EBITDA			14.7	16.0	17.3	14.3	11.5	9.4
EV/t (USD)			159	130	125	107	104	99
Dividend Yield (%)			0.1	0.4	0.4	0.5	0.6	0.8
Return Ratios (%)								
ROIC	4.5	3.0	6.7	6.0	4.5	5.7	7.4	9.2
RoE	2.9	2.1	7.2	5.7	4.3	5.3	7.3	9.3
RoCE	5.3	3.5	6.1	5.6	4.2	5.9	7.3	8.8
Working Capital Ratios								
Asset Turnover (x)	0.5	0.5	0.6	0.5	0.6	0.6	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	1.3	1.1	1.1
Debt/Equity	0.6	0.6	0.3	0.2	0.2	0.3	0.3	0.2

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	11,980	16,896	22,986
Depreciation	12,960	15,280	12,500	12,360	13,050	15,686	17,100	19,419
Interest and Finance Charges	5,510	3,640	3,190	1,930	2,310	3,674	4,070	3,585
Direct Taxes Paid	-240	-660	440	240	-140	-3,127	-4,325	-5,884
(Inc.)/Dec. in WC	1,500	2,740	7,810	-5,150	-770	4,811	4,943	4,857
CF from Operations	23,120	24,570	37,580	21,000	27,660	33,024	38,684	44,962
Others	-2,220	-1,190	-1,540	-1,680	-5,140	-2,720	-2,802	-2,886
CF from Operations incl. EO	20,900	23,380	36,040	19,320	22,520	30,304	35,883	42,076
(Inc.)/Dec. in FA	-13,290	-13,450	-10,270	-17,560	-27,010	-30,000	-35,000	-30,000
Free Cash Flow	7,610	9,930	25,770	1,760	-4,490	304	883	12,076
(Pur.)/Sale of Investments	10,320	-4,970	6,050	6,380	2,980	-5	-10	-12
Others	2,870	300	370	410	1,080	2,720	2,802	2,886
CF from Investments	-100	-18,120	-3,850	-10,770	-22,950	-27,285	-32,209	-27,126
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	8,581	1,153	-3,328
Interest Paid	-5,420	-4,680	-3,960	-2,320	-2,970	-3,674	-4,070	-3,585
Dividend Paid	-400	-930	0	-1,000	-1,690	-1,875	-2,437	-3,375
Others	0	-430	-450	-350	-330	0	0	0
CF from Fin. Activity	-19,650	-5,920	-33,750	-9,420	1,680	3,032	-5,354	-10,288
Inc./Dec. of Cash	1,150	-660	-1,560	-870	1,250	6,051	-1,681	4,663
Opening Balance	3,540	4,690	4,030	2,470	1,600	2,850	8,900	7,220
Closing Balance	4,690	4,030	2,470	1,600	2,850	8,900	7,220	11,883

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