

Dalmia Bharat

Stellar show

Dalmia Bharat's consolidated revenue fell 19% YoY to Rs 19.74bn on COVID-led sales decline (still gained market share). Robust pricing and strong cost control, however, moderated EBITDA fall to 8% at Rs 6.14bn. Despite lower EBITDA, APAT rose 30% to Rs 1.90bn on lower capital charges and higher other income. We remain bullish on Dalmia for its robust distribution and cost controls, and healthy balance sheet despite ongoing expansions. We maintain BUY with a revised target price of Rs 1,005.

- **1QFY21:** Sales volume fell 20/29% YoY to 3.7mn MT, hit by sharp demand decline in April. Its sales decline was lower versus its peers, leading to market share gains in east and south. Strong price recovery in south markets drove 12% QoQ NSR rise to Rs 5,393/MT (flat YoY). On the cost front, input costs fell due to lower pet coke prices and in absence of external clinker purchase. Freight costs also reduced on increased efficiency. Strong fixed cost controls moderated the impact of lower sales. Thus, unitary EBITDA buoyed 15% YoY to Rs 1,678/MT, cushioning EBITDA decline. Lower interest cost (on reduced interest rate), increased other income (treasury gains) and lower depreciation drove up APAT despite EBITDA decline. In 1Q, Dalmia lowered its gross/net debt by ~Rs5/4bn respectively with no capex outgo. It also bought back shares worth Rs 3.0bn in 1Q.
- **Outlook:** Dalmia expects to continue its market share gains owing to its strong distribution. Upcoming clinker and GUs in east will bolster volume recovery in 2HFY21E onwards. Thus, we model in 8% volume decline in FY21E and 25% rebound in FY22E. We upgrade FY21E consolidated EBITDA estimate by 9% on lower cost assumptions. We estimate 5% EBITDA CAGR during FY20-23E. We maintain BUY rating on the stock with a revised target price of Rs 1,005/share (10x Jun'22E consolidated EBITDA).

Consolidated Quarterly/Annual Financial summary

YE Mar (Rs mn)	Q1 FY21	Q1 FY20	YoY (%)	Q4 FY20	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Sales (mn MT)	3.66	4.55	(19.6)	5.17	(29.2)	18.7	19.3	17.8	22.2	25.5
NSR (Rs/T)	5,393	5,371	0.4	4,803	12.3	5,068	4,967	4,917	4,843	4,892
Opex (Rs/T)	3,716	3,910	(5.0)	3,820	(2.7)	4,038	3,876	3,935	3,918	3,951
EBITDA (Rs/T)	1,678	1,462	14.8	983	70.7	1,030	1,091	982	925	941
Net Sales	19,740	24,440	(19.2)	24,830	(20.5)	94,660	95,810	87,711	107,586	124,737
EBITDA	6,140	6,650	(7.7)	5,080	20.9	19,240	21,050	17,519	20,556	23,999
APAT	1,900	1,460	30.1	260	630.8	2,900	2,230	1,401	3,650	6,519
AEPS (Rs)	10.1	7.6	34.0	1.3	652.3	15.0	11.6	7.3	18.9	33.8
EV/EBITDA (x)						10.0	8.9	10.6	8.5	6.8
EV/MT (Rs bn)						7.35	7.17	6.28	4.98	4.39
P/E (x)						50.8	66.0	105.1	40.3	22.6
RoE (%)						2.8	2.1	1.3	3.4	5.7

Source: Company, HSIE Research

Estimates Revision – APAT upgrade appears large owing to low base

Rs Bn	FY21E Old	FY21E Revised	Chg %	FY22E Old	FY22E Revised	Chg %	FY23E Old	FY23E Revised	Chg %
Net Revenues	88.15	87.71	(0.5)	108.68	107.59	(1.0)	126.00	124.74	(1.0)
EBITDA	16.05	17.52	9.2	20.52	20.56	0.2	23.97	24.00	0.1
APAT	(1.59)	1.40	(188.3)	1.31	3.65	177.6	4.63	6.52	40.8
AEPS	(8.2)	7.3	(188.3)	6.8	18.9	177.6	24.0	33.8	40.8

Source: Company, HSIE Research, Consolidated Financials

BUY

CMP (as on 07 Aug 2020) Rs 764

Target Price Rs 1,005

NIFTY 11,214

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 990	Rs 1,005
EBITDA %	FY21E 9.2	FY22E 0.2

KEY STOCK DATA

Bloomberg code	DALBHARA IN
No. of Shares (mn)	187
MCap (Rs bn) / (\$ mn)	143/1,906
6m avg traded value (Rs mn)	151
52 Week high / low	Rs 1,071/403

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	49.8	(14.0)	(24.3)
Relative (%)	28.8	(6.5)	(28.0)

SHAREHOLDING PATTERN (%)

	Mar-20	Jun-20
Promoters	54.28	55.81
FIs & Local MFs	5.49	3.88
FPIs	15.29	14.15
Public & Others	24.94	26.16
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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