

Dalmia Bharat Ltd.



Dalmia Bharat Ltd.

Favorable macro outlook !

CMP INR 2930	Target INR 3325	Potential Upside 13.5%	Market Cap (INR mn) 264,451	Recommendation ACCUMULATE	Sector Cement
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Result highlights

- Net Sales stood at INR 18337 mn as against our estimates of INR 18150 mn; which was up by 7% y-o-y and down 10.4% q-o-q. Volumes for the quarter stood at 3.64 MT(est of 3.66 MT) which grew by 6.4% y-o-y.
- EBIDTA stood at INR 4414 mn which was up by 4.9% y-o-y and down 20.7% q-o-q and EBIDTA margin stood at 24.1% (est. of 23.4%) as against 24.6% same quarter last year. EBITDA stood 3.9% higher than our estimates of INR 4250 mn while EBITDA/ton during the quarter stood at INR 1211.
- PAT stood at INR 1037 mn (est. of INR 510 mn) which grew by 233.4% y-o-y and down by 36.7% q-o-q. Sharp jump in net profit on y-o-y basis was on account of higher tax base.

MARKET DATA

Shares outs (mn)	89
EquityCap (INR mn)	178
Mkt Cap (INR mn)	264451
52 Wk H/L (INR)	3085/1186
Volume Avg (3m K)	102.6
Face Value (INR)	2
Bloomberg Code	DBEL IN

Revenues in-line; robust volume growth trajectory to sustain:

During Q2FY18, Dalmia Bharat Ltd (DBEL) delivered volume growth of 6.4% y-o-y which was in-line with our estimates of 7% y-o-y. Sturdy realizations helped revenues to grow by 7% y-o-y scaling to INR 18337 mn as against our estimates of INR 18150 mn. Going ahead, the NDA government is focused on Pradhan Mantri Awas Yojana (PMAY) and has fast-tracked rural homes for 10 mn by 2019. Out of all the states identified for the scheme, ~40% of states belong to the Eastern region. We believe DBEL will be a key beneficiary owing to sharp pick-up in affordable housing projects in East. Further, the company intends to increase its capacity in East by ~2 MTPA by de-bottlenecking which provides further revenue visibility.

Consequently, we believe DBEL should deliver volume CAGR of 11.96% over FY17-FY19 from 15.30 MT to 19.18 MT and revenues to surge from INR 83481 mn to INR 113869 mn over the same period.

Operating efficiencies beat estimates:

DBEL continued to operate at robust EBITDA margins of 24.1% during Q2FY18 as against our estimates of 23.4%. Operating efficiencies for the company sustained at higher levels despite adverse hike in input costs primarily owing to steady realizations and lower fixed costs (declined by 17% y-o-y). Going ahead, we believe higher operating leverage and better realizations on the back of healthy demand should improve EBITDA margins by 95 bps over FY17-FY19E.

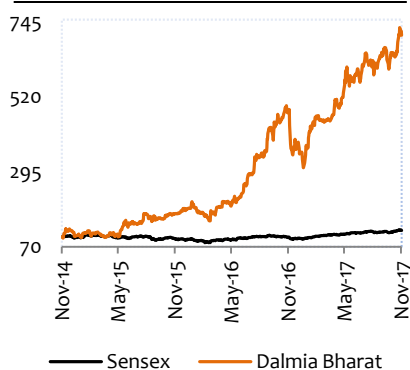
Consequently, we expect a surge in EBITDA/ton from INR 1243 to INR 1409 and EBITDA to increase at 19.2% from INR 19019 mn to INR 27025 mn over FY17-FY19.

Valuation and Outlook :

DBEL continued to de-leverage financially with debt reduction to the tune of INR 1790 mn during Q2FY18 and INR 5080 mn during H1FY18. We factor in FCFE generation of INR 3134 mn over FY18-FY19 which will be used to pare down debt. Consequently, we expect net debt to reduce from INR 52327 mn in FY17 to INR 29875 mn in FY19. On the valuation front, the company trades at an EV/EBITDA of 10.74x and EV/ton of \$174.

We value Dalmia Bharat Ltd at an EV/EBITDA of **12x FY19E** on account of a.) financial de-leveraging, b.) outperforming volume growth, c.) robust market share of 8%/15%/21% in South/East/North-East and d.) superior operating efficiencies; arriving at a target price of **INR 3325** translating into an upside of **13.5%** from CMP of **INR 2930**. We have an **ACCUMULATE** rating on the stock.

SHARE PRICE PERFORMANCE

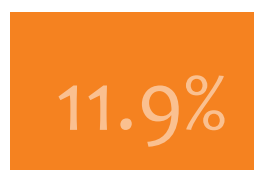


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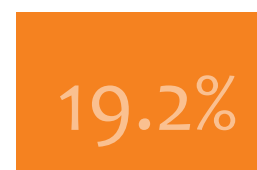
SENSEX	33251
NIFTY	10309

SHARE HOLDING PATTERN (%)

Particulars	Sep 17	Jun 17	Mar 17
Promoters	58.04	58.04	57.76
FIIIs	14.35	13.83	8.04
DIIIs	7.83	7.55	5.25
Others	19.78	20.57	28.94
Total	100	100	100



Volume CAGR between FY 17 and FY 19E



EBITDA CAGR between FY 17 and FY 19E

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KEY FINANCIALS

Particulars (INR mn)	FY15	FY16	FY17	FY18E	FY19E
Revenues	39986.20	73275.00	83481.00	97369.68	113868.64
EBITDA	6025.10	15786.10	19018.80	21839.34	27025.34
APAT	30.50	1908.30	3448.00	6255.33	10046.62
AEPS	0.38	21.47	38.79	70.36	113.01
P/E (x)	1126.15	36.90	50.33	41.64	25.93
EV/EBITDA (x)	16.27	8.37	11.86	13.91	10.74

Source: Company, KRChoksey Research

Q2FY18 Result Snapshot

Particulars (mn)	Q2FY18	Q1FY18	Q2FY17	q-o-q	y-o-y
Total Sales	18337	20466	17134	-10.4%	7.0%
Total Expenditure	13923	14900	12927	-6.6%	7.7%
Cost of Raw Materials	3390	3144	2711	7.8%	25.1%
Employee Cost	1606	1636	1575	-1.9%	2.0%
Power and Fuel Costs	3044	3234	2297	-5.9%	32.5%
Transportation costs	3217	3623	2940	-11.2%	9.4%
Other expenses	2666	3264	3405	-18.3%	-21.7%
PBIDT (Excl OI)	4414	5566	4207	-20.7%	4.9%
EBITDA Margins (%)	24.1%	27.2%	24.6%	-313bps	-48bps
Depreciation	1547	1532	1587	1.0%	-2.5%
EBIT before Exceptional Item	2867	4034	2620	-28.9%	9.4%
Exceptional Items	0	0	0	-	-
Other Income	922	700	796	31.6%	15.8%
EBIT	3788	4734	3416	-20.0%	10.9%
Interest	1974	2117	2291	-6.7%	-13.8%
EBT	1814	2617	1125	-30.7%	61.3%
Tax	584	622	662	-6.0%	-11.8%
NPAT before Minority Interest	1230	1996	463	-38.4%	166.0%
Minority Interest	193	357	152	-45.9%	27.5%
PAT	1037	1639	311	-36.7%	233.4%
PAT Margin (%)	5.7%	8.0%	1.82%	-235bps	384bps
EPS	11.66	18.44	3.50	-36.7%	233.4%

Source: Company, KRChoksey Research

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Key Financials:

Consolidated Profit & Loss (INR mn)	FY15	FY16	FY17	FY18E	FY19E
Total Sales	39986.20	73275	83481.00	97369.68	113868.64
COGS	5282.40	11035.9	12915.80	14465.70	16056.92
Employee Expenses	2787.50	5064.5	6091.80	6700.98	7371.08
Power and fuel	7120.90	8828.7	9792.30	13930.00	16716.00
Transportation cost	6249.00	11474	13435.10	15384.41	17934.31
Other Expenses	7676.30	12190.3	12789.80	13631.76	15372.27
Excise duty	4845.00	8895.5	9437.40	11417.50	13392.72
EBITDA	6025.10	15786.1	19018.80	21839.34	27025.34
D&A	2715.80	4527.6	6027.10	6748.40	6873.40
Other income	933.40	1642.1	2987.80	2921.09	3000.00
EBIT	4242.70	12900.6	15979.50	18012.03	23151.94
Interest Expense	4343.80	7256.2	8899.90	7222.45	6457.45
PBT	-101.10	5644.4	7079.60	10789.59	16694.49
Tax	468.60	2990.8	2761.50	3560.56	5509.18
Effective tax rate	-	52.99%	39.01%	33.00%	33.00%
Share of profit in subsidiary's associates	485.30	0	0.00	0.00	0.00
Less minority interest	-176.10	745.3	870.10	973.70	1138.69
PAT	30.50	1908.3	3448.00	6255.33	10046.62

Source: Company, KRChoksey Research

Consolidated Balance Sheet (INR mn)	FY15	FY16	FY17	FY18E	FY19E
Equity Share Capital	162.40	177.60	177.90	177.90	177.90
Reserves	30526.60	38358.00	49470.80	55100.59	64142.55
Net worth	30701.60	38568.80	49648.70	55278.49	64320.45
Minority Interest	7469.60	3568.60	6129.30	7103.00	8241.68
Total loans	84796.50	88925.00	80249.40	71749.40	61749.40
Capital Employed	124946	137514	149604	156528	157234
Net block	77375.60	78818.40	96139.00	91890.60	87517.20
Current Investments	15829.40	24726.00	26413.80	26413.80	26413.80
Inventories	7293.20	7082.90	6488.40	7926.41	8798.31
Sundry debtors	5100.60	4946.40	5933.20	6402.39	7175.28
Sundry creditors	7483.90	9136.00	9541.10	12484.09	13857.34
Cash and bank	5280.80	2483.20	1750.00	2072.58	5460.37
Total Current assets	41327.40	45854.80	48397.60	58955.25	65472.75
Total Current liabilities	25945.70	30749.30	42373.50	38245.17	39683.52
Capital Deployed	124946	137514	149604	156528	157234

Source: Company, KRChoksey Research

Consolidated Cash Flow (INR mn)	FY15	FY16	FY17	FY18E	FY19E
PAT	30.50	1908.30	3448.00	6255.33	10046.62
Depreciation & Amortization	2715.80	4527.60	6027.10	6748.40	6873.40
(Incr)/Decr in Working Capital	676.80	3370.90	-2163.40	-7262.52	-1166.25
Cash Flow from Operating	5448.30	18907.40	17176.40	12963.66	23349.90
(Incr)/ Decr in Gross PP&E	-4971.10	-3928.70	-3555.70	-2500.00	-2500.00
Cash Flow from Investing	-30869.30	-16703.50	-1822.00	-2493.30	-2500.00
(Decr)/Incr in Debt	34984.80	4128.50	-6826.30	-2299.80	-10000.00
Dividend	-190.00	-534.40	0.00	-625.53	-1004.66
Cash Flow from Financing	29344.50	-5001.50	-15532.50	-10147.78	-17462.11
Incr/(Decr) in Balance Sheet Cash	4436.90	-2797.60	-178.10	322.58	3387.79
Cash at the Start of the Year	843.90	5280.80	1501.80	1750.00	2072.58
Cash at the End of the Year	5280.80	2483.20	1323.70	2072.58	5460.37

Source: Company, KRChoksey Research

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Operating metrics (in INR)	FY15	FY16	FY17	FY18E	FY19E
Realization/ton	4887.75	4889.45	4654.22	5034.01	5134.69
COGS cost/ton	753.55	862.18	844.17	867.40	837.23
Employee cost/ton	397.65	395.66	398.16	401.81	384.34
Power and fuel cost/ton	1015.82	689.74	640.02	835.28	871.60
Transportation and Handling cost/ton	891.44	896.41	878.11	922.49	935.12
Other Expenses/ton	1095.05	952.37	835.93	817.40	801.53
EBITDA/ton	859.50	1233.29	1243.06	1309.55	1409.14

Source: Company, KRChoksey Research

Ratio Analysis (Consolidated)	FY15	FY16	FY17	FY18E	FY19E
EBITDA/ton	859.50	1233.29	1243.06	1309.55	1409.14
Volume (mn tons)	7.01	12.80	15.30	16.68	19.18
Growth (%)					
Total Sales	16.74%	83.25%	13.93%	16.64%	16.94%
EBITDA	29.65%	162.01%	20.48%	14.83%	23.75%
PAT	136.22%	6156.72%	80.68%	81.42%	60.61%
Profitability (%)					
EBITDA Margin	17.15%	24.52%	25.69%	25.41%	26.90%
NPM	0.09%	2.96%	4.66%	7.28%	10.00%
Return ratios					
ROE	0.10%	4.95%	6.94%	11.32%	15.62%
ROCE	3.40%	9.38%	10.68%	11.51%	14.72%
Per share data					
EPS	0.38	21.47	38.79	70.36	113.01
BPS	378.10	433.84	558.48	621.81	723.51
Valuations (x)					
P/E (x)	1126.15	36.90	50.33	41.64	25.93
P/BV (x)	1.12	1.83	3.50	4.71	4.05
EV/EBITDA (x)	16.27	8.37	11.86	13.91	10.74
EV/Ton (\$)	79.09	78.88	134.70	181.34	173.34
Net Debt/EBITDA	10.57	3.91	2.74	1.98	1.11
Net Debt/Equity	2.07	1.60	1.05	0.78	0.46
Interest Coverage	0.98	1.78	1.80	2.49	3.59

Source: Company, KRChoksey Research

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Dalmia Bharat Ltd.				Rating Legend	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
9-Nov-17	2,930	3,325	ACCUMULATE	Buy	More than 15%
12-Oct-17	2,733	3,325	BUY	Accumulate	5% – 15%
8-Aug-17	2,653	3,205	BUY	Hold	0 – 5%
11-May-17	2,511	2,985	BUY	Reduce	-5% – 0
27-Feb-17	1,897	2,540	BUY	Sell	Less than – 5%
09-Jan17	1,535	2,090	BUY		

ANALYST CERTIFICATION:

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