NALANDA RESEARCH

Dalmia Bharat Ltd.

Pioneer in Aggressive Expansion

Company Update **October 12, 2018**

NALANDA RESEARCH

STRONG BUY *

Downside Scenario	Current Price	Price Target	Upside Scenario
	2052	2817	
		37.3%▲	

October 12, 2018

Dalmia Bharat Ltd.

Next leg of growth from the East

Dalmia Bharat (DBL), one of the top 5 cement players in India, is a part of the Dalmia Group and operates in the South and East regions. We believe the company shows great potential, due to its successful track record of turning around acquired assets as well as its capacity expansion in the East region, which is showing strong demand. We remain positive on the stock and maintain a STRONG BUY with a target price of INR 2817, implying an upside of ~37% from current levels.

Organic and Inorganic expansions continue to propel growth

- Historically, the company expanded rapidly from 1.2mt in FY06 to 25mt in FY18. This was through a slew of organic and inorganic (OCL and Jaypee Bokaro in the East and Adhunik and Calcom in North East) acquisitions which helped it cement its position in South and East India through consistent gain of market share.
- Going forward, we expect this growth momentum to continue as it expands its presence in the East with a clinkerisation line in Rajgangpur (through its subsidiary, OCL India) and grinding units in Odisha, Bengal and Bihar aggregating to an additional capacity of 7.8mt. DBL is estimated to set it up at a cost of USD 70/t and it is expected to be completed in about 25 months.

Foray into new markets through ramp-up of acquired distressed assets

- The company has successfully acquired the distressed assets of Murli Industries (expected to be handed over from NCLT in Q2FY19) and Kalyanpur Cement. This has opened the firm to the Maharashtra market (Murli) and further enhanced its presence in Bihar (Kalyanpur).
- We believe a successful turnaround of these assets is imminent due to DBL's track record of superior execution capabilities.

Operational efficiencies to continue through cost reduction initiatives

- DBL is one of the lowest variable cost producers in the industry. This can be explained by various factors such as modernization of its plants (leading to industry-leading lower electricity consumption), use of alternate fuels as well as a higher blending ratio.
- The company is also ranked first in the world for low carbon economy transition in the CDP (Carbon Disclosure Project) League table and has the lowest carbon footprint.

Higher mix of premium products to boost profitability

- The company has recently increased its proportion of premium products with the launch of composite cement under the brand, "Dalmia FBC". This product, along with its flagship product, "Dalmia DSP" command a price differential of ~INR 35-55/bag, translating to higher realization and in turn, higher margins.

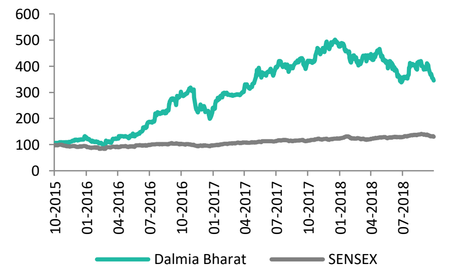
Simplified restructuring and strong management to command higher multiples

- The third generation of promoters were ushered in 2007, marking a significant change in the company. Various initiatives such as 1) bringing in private equity players for aggressive expansion (later exited in 2017), 2) sharp focus on geographical diversification and cost efficiencies as well as 3) business restructuring have fared well for DBL and has catapulted it into the top 5 cement companies in India.

Market Data	
Industry	Cement
Sensex	34001
Nifty	10235
Bloomberg Code	DBEL:IN
Eq. Cap. (INR Crores)	17.8
Face Value (INR.)	2
52-w H/L	2020/3350
Market Cap (INR Crores)	18301

Valuation Data	FY18	FY19E	FY20E
P/E (x)	45.1	27.6	20.3
EV/EBITDA(x)	13.7	9.4	7.9
EV/Ton(x)	151.9	98.8	100.5

Dalmia Bharat vs SENSEX



Shareholding Pattern (in %)	Jun'18	Mar'18	Jun'17
Promoters	57.92	57.92	69.39
FIIs	17.28	16.68	12.26
DIIs	5.88	6.52	7.68
Retail	15.97	15.93	16.89
Others	2.95	2.95	3.54
Total	**100.0**	**100.0**	**100.0**

Revenue Growth CAGR
FY18-FY20E : **12.2%**

EBITDA Growth CAGR
FY18-FY20E : **14.6%**

PAT Growth CAGR
FY18-FY20E : **26.5%**

** Read last page for disclaimer & rating rationale*

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Valuation

We remain positive on the stock on the back of:

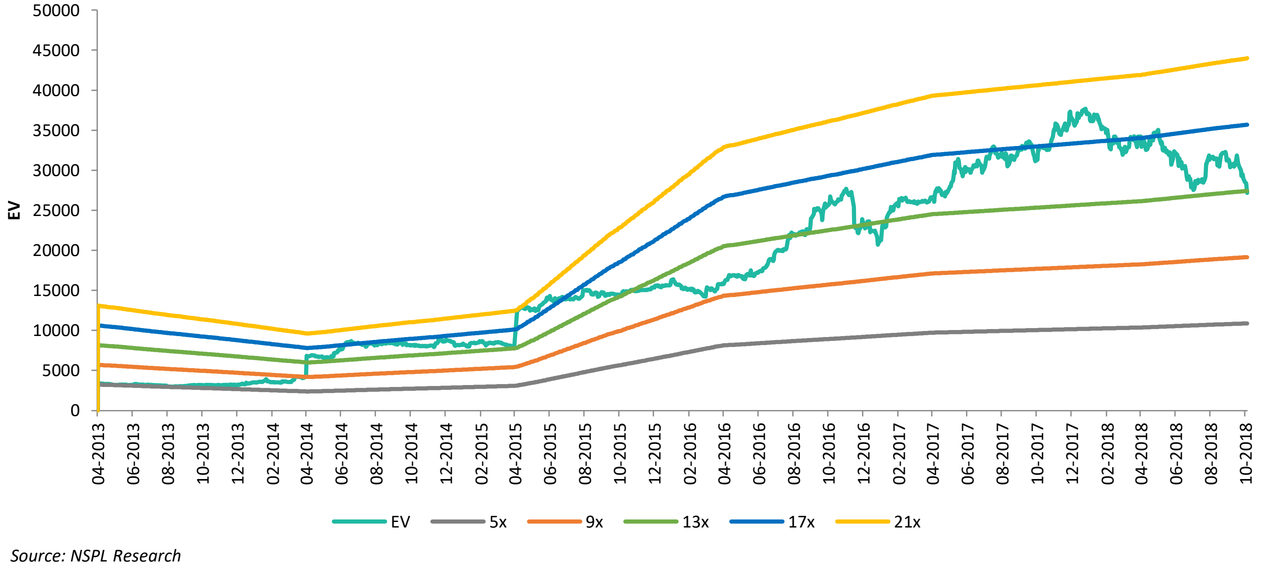
- Prudent management of leverage despite acquisitions
- High expansion potential with most approvals already received
- Higher proportion of premium products in its portfolio
- Government push on infrastructure and affordable housing resulting in higher demand

We expect DBL to report a revenue CAGR growth of 12.2% over FY18-21E to achieve INR 12165cr of net sales in FY21E. This is mainly driven by a volume CAGR growth of 11% on the back of ramp up of Murli and Kalyanpur assets as well as a higher capacity utilization. We expect power and fuel costs to moderate due to the set up of WHRS (to the tune of 30MW) over the next two years. EBITDA is expected to grow at a CAGR of 14.6% with margins improvement led by savings in power and fuel cost. At CMP of INR 2052/share, DBL trades at an EV/EBITDA of 7.9x on FY20E earnings and an EV/Ton of $101 on FY20E capacity. We value DBL's present capacity of 25mt at EV/Ton of $150 (asset-based) and EV/EBITDA at 10x (earnings-based) to reach at an average target price of INR 2817/share, giving a potential upside of 37.3%.

Particulars (INR Crores)	FY16	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	6411.0	7404.4	8608.8	9695.7	11095.0	12165.2
Growth		*15.5%*	*16.3%*	*12.6%*	*14.4%*	*9.6%*
EBITDA	1592.0	1901.9	2026.6	2220.8	2705.1	3050.9
Growth		*19.5%*	*6.6%*	*9.6%*	*21.8%*	*12.8%*
PAT	190.0	344.8	535.9	661.3	899.0	1084.9
Growth		*81.5%*	*55.4%*	*17.1%*	*36.1%*	*20.8%*
EBITDA Margin(%)	24.8%	25.7%	23.5%	22.9%	24.4%	25.1%
PAT Margin(%)	3.0%	4.7%	6.2%	6.8%	8.1%	8.9%
EPS	21.4	38.8	60.3	74.4	101.1	122.0
P/E	37.1	38.6	45.1	27.6	20.3	16.8
EV/EBITDA	8.3	9.8	13.7	9.4	7.9	6.8
EV/Ton	79.0	110.9	151.9	98.8	100.5	77.5

Source: NSPL Research

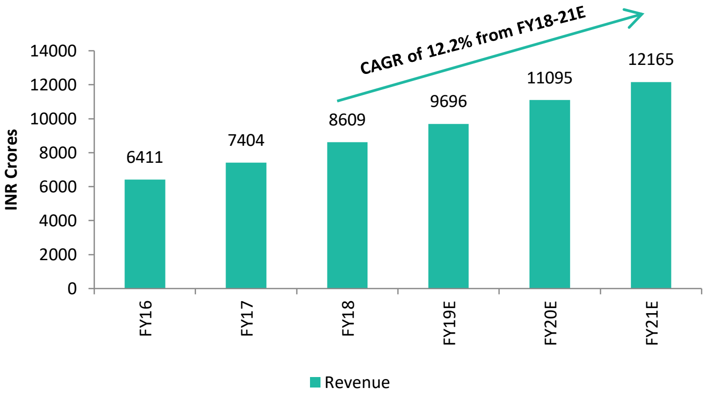
Band Chart



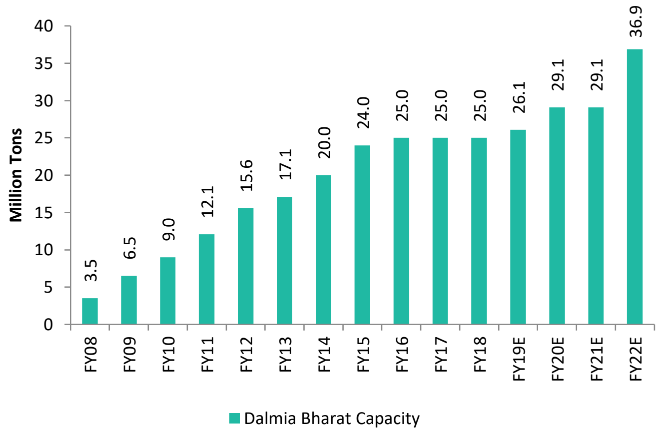
Source: NSPL Research

Investment Rationale

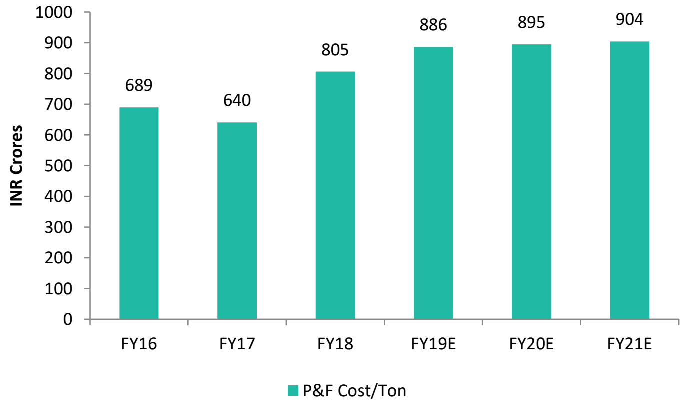
Strong revenue growth expected going ahead



Prudent management effectively ramped up capacity



Increase in P&F cost due to high pet-coke and coal prices, partially offset by WHRS plant and cost control initiatives



Source: NSPL Research

Pioneer in aggressive yet prudent expansion

- DBL has propelled itself from a capacity of 1.2mt in FY06 to a cement giant with a capacity of 25mt as of FY18. From FY06 to FY12, the company underwent an aggressive expansion phase with a slew of greenfield and brownfield/ organic and inorganic capacity expansions. The expansions were strategically timed to focus on AP and Tamil Nadu where it gained market share.
- During this period, the company also received immense help from private equity players, Actis and KKR in terms of equity funding as well as strategic management.
- Post FY12, the company shifted its focus to East India through its acquisition of cement plants from Adhunik and Calcom in the North East along with Jaypee's capacity in Jharkhand. Finally , the complete acquisition of OCL India enabled DBL to touch 25mt, the fourth–largest after Aditya Birla Group, Holcim and Shree Cements.
- Going forward, DBL aims to further consolidate its presence with a 7.8mt capacity addition in the east including a 2.8mt clinker capacity in Rajganjpur and grinding units in Odisha, West Bengal and Bihar. Post the expansion, the company will have 18.2mt of grinding capacity in the East along with 7.5 mt of clinker capacity, thereby reaching a consolidated capacity of 37mt by FY22E.
- The company has also acquired a limestone mine in Rajasthan in January 2017, and is expected to further diversify into the North region.

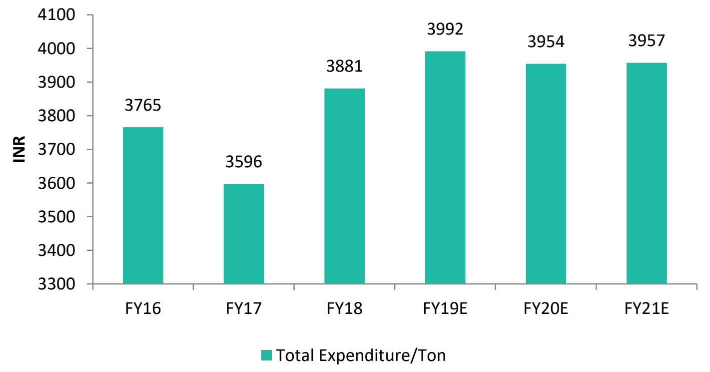
Acquired stressed assets to cater to incremental demand

- DBL completed its acquisition of 1.1mt cement plant from Kalyanpur Cement in Feb 2018 and 3mt from Murli Industries (post NCLT approval). These were acquired at a relatively cheap valuation of US$39/t and US$ 37/t.
- The company will incur a capex of INR 276cr and INR 700cr over two years for Kalyanpur and Murli respectively to ramp up its operations to DBL standards.
- This will introduce DBL to the Maharashtra market as well as strengthen its presence in the East.

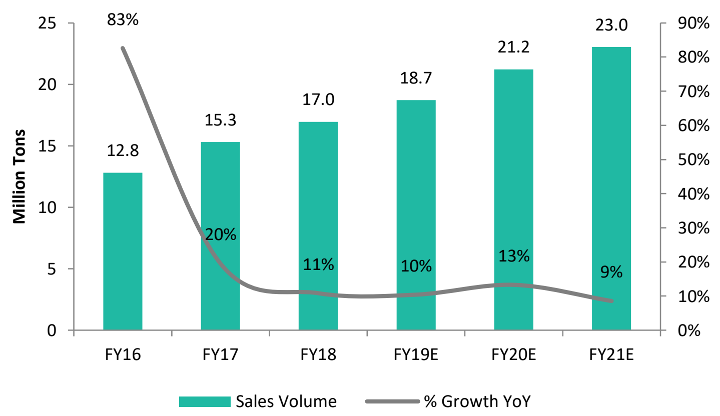
One of the leading low variable cost producers

- DBL has reduced its operating costs considerably over the last 4 years. This can be primarily attributed to the following factors.
- 1) Increased usage of green energy (currently 4% of total capacity) as well as use of alternate fuels like pet-coke which are cost effective. DBL is equipped with multi fuel inputs making the company flexible when it comes to using different fuels, depending on their price.
- 2) Modern plants along with sufficient Waste Heat Recovery Systems (WHRS) has led the company to achieve an industry-leading lower electricity consumption (74 units in FY14 to 69 in FY18)

Controlled costs to reduce total expenditure/ton



Rising demand leading to higher sales volumes



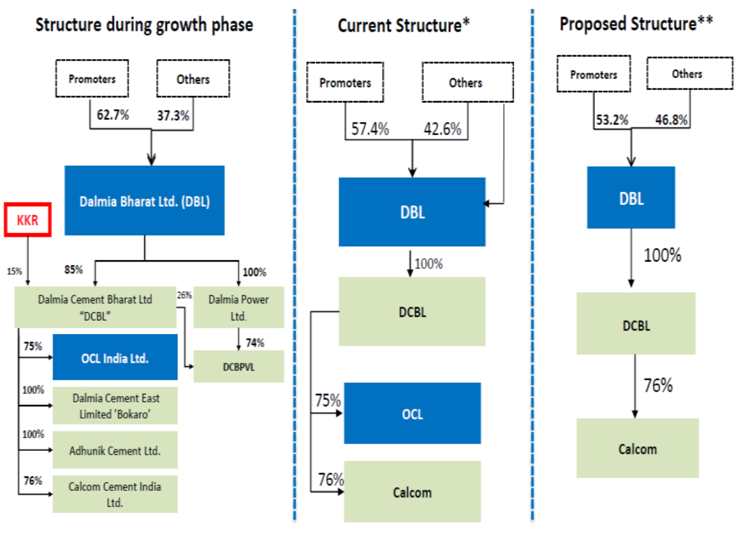
Source: Company, NSPL Research

- 3) The company has successfully increased its blending ratio from ~70% in FY14 to ~80% in FY18. This reduces costs considerably due to a lower clinker factor required for blended cement.
- 4) The logistics cost has also been kept in check with strategic acquisitions and expansions to ensure proximity to all key serving markets (DBL consistently maintains the lead distance to be <300kms). The company also modifies the rail road mix based on economic viability as well as availability of the mode of transport. In FY13, 90% of the dispatches were through road transportation and this has been maintained in FY18.

Premiumization key to future profitability

- In the beginning of FY17, the company launched a super premium product called Dalmia DSP. Targeted specially for concreting, this product was packed in BOPP tamper-proof bags and is sold at a price differential of INR 40/bag in the East, INR 35/bag in North East and INR 55/bag in the South as compared to A-grade cement brands. The product offering was well received as it contributed 10% of trade sales by the end of FY17.
- In Q4FY18, DBL launched another premium product in the form of a composite cement, called Dalmia FBC. FBC (fine blend composite) is a super-fine composite cement, which is made using fly-ash and slag, capturing the best of both PSC and PPC cement. This has been well-received by the market as this cement enables the end user to build more than other brands.
- Going forward, the company aims to reach a target proportion of 40% for its margin accretive products.

Proposed simplified corporate structure



Source: NSPL Research

Simplified corporate structure post restructuring

- Since DBL's growth from FY06 was partly due to aggressive inorganic acquisitions, its cement business was structured under various subsidiaries and associate companies along with businesses not related to cement.
- In 2010, the company decided to separate its sugar and cement businesses to form Dalmia Bharat Enterprises (DBEL) including its cement, power and refractory assets. In May 2010, the private equity player KKR invested INR 750cr in a subsidiary that held the cement business which they later exited in 2017.
- DBL had also announced the amalgamation of OCL India and Dalmia Cement East Bokaro as well as amalgamation of Adhunik Cement (DBL's subsidiary) with Dalmia Cement (Bharat) (DCBL). This resulted in a company with 75% stake in OCL and 76% stake in Calcom. DCBL, an operating company of DBL held the remaining assets.
- We expect OCL India to be fully amalgamated with DBL and a new simplified lean corporate structure to be in place by Q2FY19.

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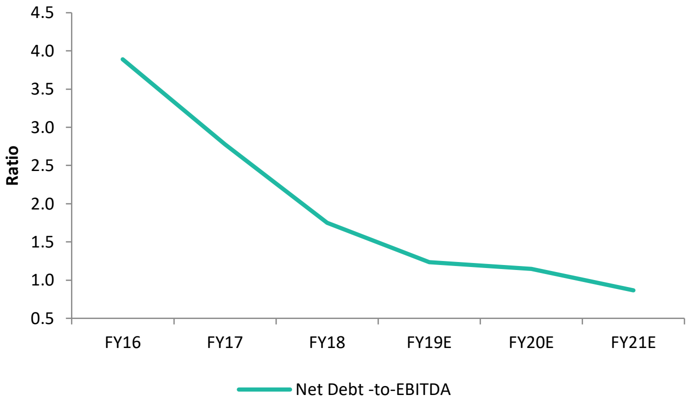
DBL expected to considerably reduce leverage by FY21E



Source: NSPL Research

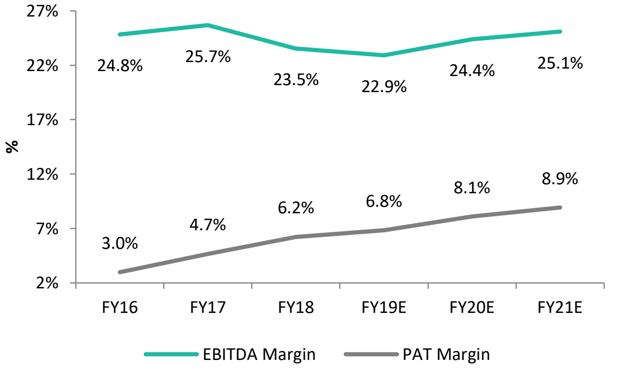
Leverage in comfortable levels despite acquisition

- DBL has reduced gross debt from INR 8487cr at the end of FY15 to INR 7275cr at the end of FY18. In the same period, the net debt/EBITDA has been reduced from 6.8x to 1.7x.
- We expect DBL to incur a capex of INR 975cr over two years for the ramp up of the distressed assets of Murli and Kalyanpur. We also expect DBL to spend INR 3250cr for its capacity addition of 7.8mt in the East. This will mainly funded through debt (~65-70%) and partially through internal accruals.
- Due to the historical track record of turning around assets, we estimate a free cash flow generation of ~INR 522cr by FY21E, which will help in further repayment of debt.

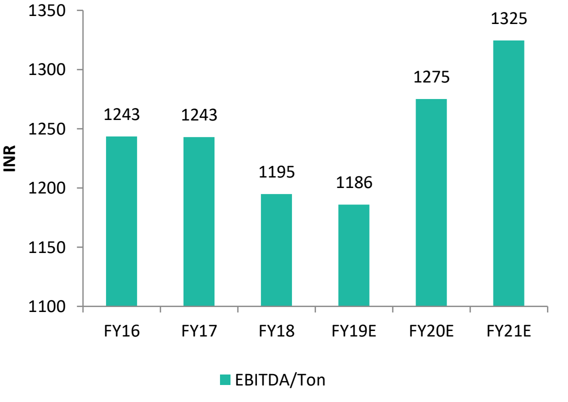
Key Risks

- Failure to ramp up the assets acquired under the IBC (Murli and Kalyanpur) may result in a highly leveraged balance sheet with insufficient cash flows
- An increase in input costs of raw materials such as limestone mines, slag, pet-coke, diesel etc. may put pressure on the company's financials and limit profitability
- Due to leverage in the balance sheet, the firm may be vulnerable to a rising interest rate environment
- A slowdown in the demand recovery in DBL's key markets may affect pricing of its products.

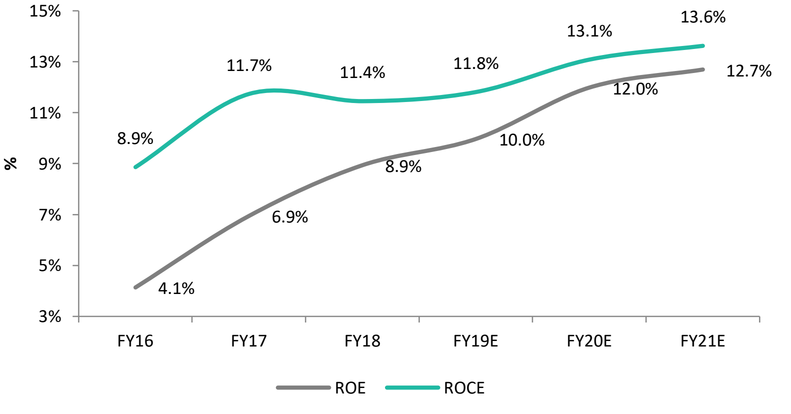
Margins poised to increase with efficient cost controls…



…leading to a higher EBITDA/Ton



Prudent use of leverage and capital to boost return ratios



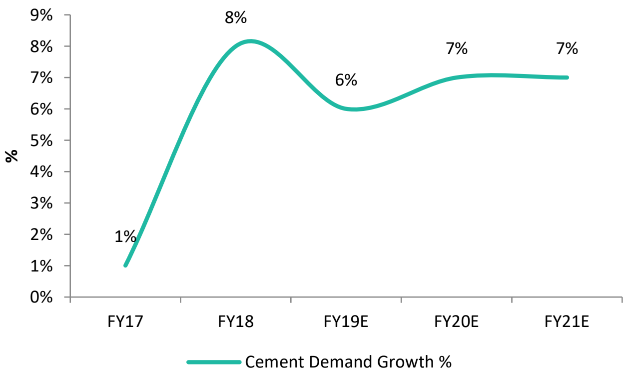
Source: NSPL Research

Industry Dynamics to favour future growth

(Million Tons)	FY18	FY19E	FY20E	FY21E	FY22E
Central	1.8	3.8	6	-	-
South	**3.2**	**6.9**	**5**	**6.2**	**7.5**
North	4.7	-	3.5	10.5	-
East	**6**	**8**	**3.2**	**-**	**7.8**
West	-	-	1.9	7	4
All India	**15.7**	**18.7**	**19.6**	**23.7**	**19.3**

Source: Companies Data, NSPL Research

Demand growth to moderate to 6-7%



Source: NSPL Research

- The Indian cement industry is the second largest producer in the world after China with a capacity of ~414mt in FY18. This is expected to grow to ~477mt in FY21 as per capacity additions announced by companies.
- Historically, the supply of cement has always been more than demand. Demand for cement in FY18 was ~295mt and is expected to grow to ~357mt translating to a growth of ~6.5% per year.
- This expected boost in demand is attributable to various factors. Rural Individual Housing, which accounts for 30-35% of overall cement demand growth, is witnessing an uptick, driven by higher purchasing power of farmers due to MSP hike, favourable rainfall seen in Central, West and South India and also subsidies and waivers offered by the Government prior to elections.
- Urban Housing, which contributes about 15% of total cement demand growth, remains subdued with an increasing build-up of inventory visible over the last few years.
- Government housing, both in urban and rural areas, contributes about 7-8% to total demand growth due to the allocation of a significant amount of budget to PMAY-U and G. This augurs well for the industry as the government has increased focus on execution of these projects.
- Infrastructure, contributing about 30% of demand growth, looks bright in the near term, due to the government's aggressive execution of road, dam, highways, freight corridor projects etc. We expect this to normalize post elections and estimate a growth of 8-10% from FY18-20.

Future capacity addition in regions operated by DBL

Company	Location	FY18	FY19E	FY20E	FY21E	FY22E
East						
Star Cement	Siliguri, WB	-	1.5	-	-	-
JK Cement	Durg, Chattisgarh	-	0.6	-	-	-
Shree Cement	Bihar	2	3.9	-	-	-
Emami Cement	Jhajpur, Odisha	-	2	-	-	-
Emami Cement	Risda, Chattisgarh	1.6	-	-	-	-
JSW Cement	Salboni, WB	2.4	-	-	-	-
Ramco Cement	West Bengal	-	-	1.1	-	-
Ramco Cement	Odisha	-	-	0.9	-	-
JSW Cement	Jajpur, Odisha	-	-	1.2	-	-
Dalmia Bharat	Odisha	-	-	-	-	7.8
Total		6	8	3.2	-	7.8
South						
NCL Industries	Simhapuri, Telangana	0.8	-	-	-	-
KCP	Muktyala, AP	-	1.7	-	-	-
Shree Cement	Gulbarga, Karnataka	-	3	-	-	-
Ramco Cement	Vizag & Kurnool, AP		-	1.1	-	2.5
Sagar Cement	Vizag	-	1.2	0.3	-	-
JSW Cement	Vijaynagar, Karnataka	2.4	-	-	-	-
Chettinad Cement	Guntur, AP	-	-	-	3.5	-
Anjani Portland	Telangana	-	-	-	1.2	-
Penna Cement	Boyareddypalli, AP	-	-	2.6	-	-
Orient Cement	AP & Karnataka	-	-	1	-	5
Tancem	Ariyalur, TN	-	1	-	-	-
My Home Industries	Vizag, AP	-	-	-	1.5	-
Total		**3.2**	**6.9**	**5**	**6.2**	**7.5**

Source: Companies Data, NSPL Research

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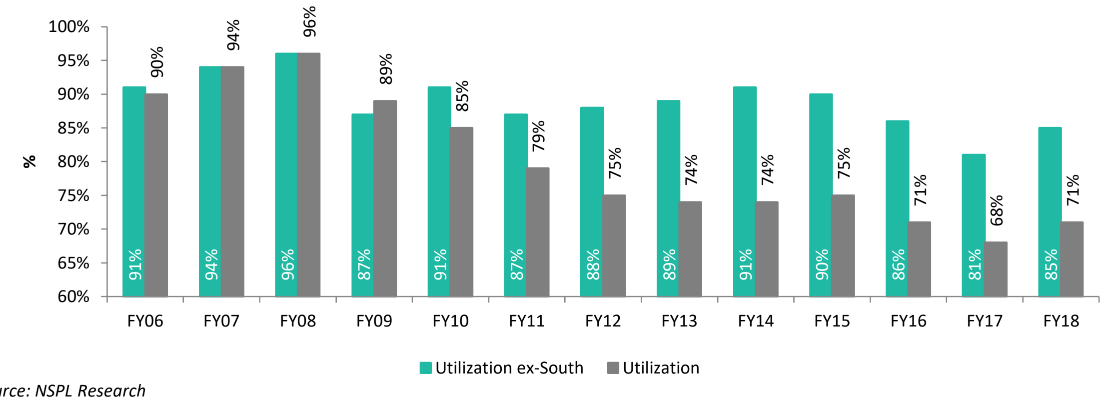
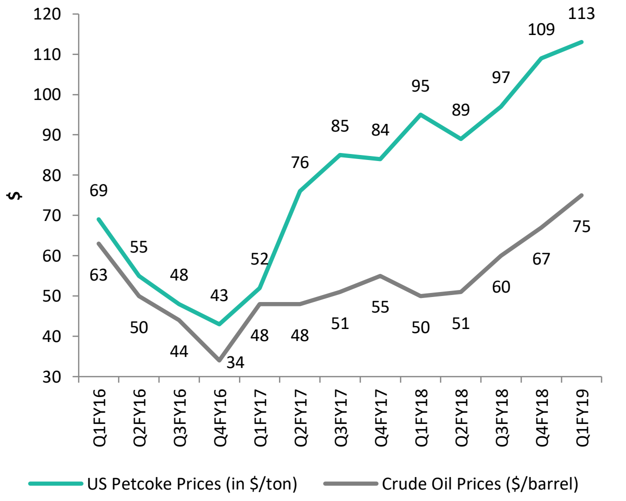
- Capex from private players, although subdued over the last few years, is expected to pick up due to higher capacity utilisations.
- The South and East region, which are DBL's key markets, historically has had a weak demand-supply dynamics. This is evident with average capacity utilization of companies hovering around 50% in South and 76% in East as compared to 85% in Central, 84% in West, 78% in North and 76% in East in FY18. Going forward, with the slew of capacity additions proposed, we expect the average capacity utilization to slightly increase to 55% in the South region and remain same in the East by FY21E.
- A ramp up of stressed plants such as Binani (in North), Murli Industries (in MP) and Kalyanpur cements (in East) may put pressure on pricing in select regions.

Utilization to pick up after bottoming out in FY17



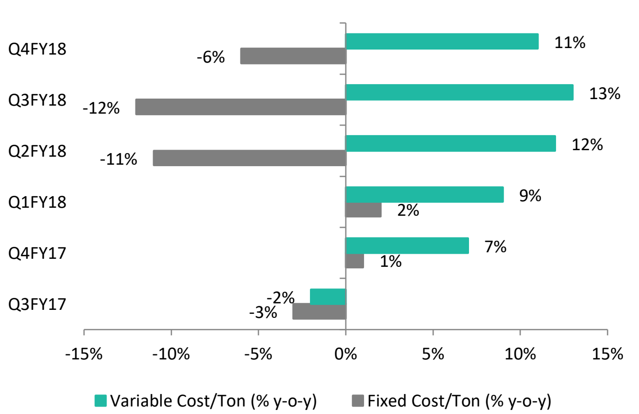
Source: NSPL Research

Rising trend of pet-coke prices; expected to have peaked out



Source: EIA

Variable cost hikes offset by focused control on fixed costs



Source: NSPL Research

Input cost pressures to limit profitability

- The industry is also plagued by rising input costs. Over the last 8-10 quarters, the price of pet-coke, which is used as fuel in kilns by most of the cement companies, rose substantially. This was primarily due to a rise in crude prices as well as a hike in import duty by the Government (from 2.5% to 10% in December 2017).
- Companies operating in the Northern region such as JK Lakshmi, JK Cement and Shree Cement uses a higher proportion of pet-coke. However, we believe pet-coke prices have peaked out and do not expect a surge in prices.
- With the hike in pet-coke, companies have also switched to domestic and imported coal as well as alternate fuels and raw materials (AFR) to fuel their kilns. This has partially offset the rise in power and fuel costs which accounts for nearly 28-30% of overall cost for cement companies.
- A rise in diesel prices as well as non-availability of rakes (due to frequent shifting of priorities by Railways) has led to an increase in logistics costs. This has been partially offset by firms through the optimization of lead distance as well as the rail:road mix (currently 70% of the volumes are transported by road). Some companies also use the sea route to transfer clinker, which is considerably cheaper.
- Most of these input cost pressures have been partially offset by companies through a strict control on fixed costs and employee expenses.

Consolidation and brownfield expansion the way ahead

- Two landmark Acts and their recent amendments (LARR and MMDR (Amendment) Act), have made it significantly tough for companies to set up a greenfield project in terms of cost and time.

Auctioned Limestone mines

State	Name of Block	Reserves in MT	E-auction date	Winner of bid
Gujarat	Mudhvay Sub-block C, kachchh	325.00	26.05.2017	Adani Cementation
Maharashtra	Nandgaon Ekodi, Dist. Chandrapur	42.10	20.06.2017	Ambuja Cements
Rajasthan	3D1, n/v Harima Pithsar Nagaur	199.15	26.09.2017	Ambuja Cements
Jharkhand	Harihaspura Block II, Ramgarh	0.67	12.02.2016	Burnpur Cement
Jharkhand	Harihaspura Block I, Ramgarh	0.42	12.02.2016	Burnpur Cement
Chattisgarh	Kesla, Raipur	67.00	19.02.2016	Century
Chattisgarh	**Kesla- II, Raipur**	**215.00**	**01.05.2017**	**Dalmia Bharat**
Odisha	**Kottameta, Malkangiri**	**98.69**	**27.12.2016**	**Dalmia Bharat**
Rajasthan	**Sindwari, Ramkhera,Block -B, Chittaurgarh**	**174.45**	**05.01.2017**	**Dalmia Bharat**
Madhya Pradesh	Hinauti-1, Satna	2.81	15.05.2018	Digiana Industries Pvt. Ltd
Madhya Pradesh	Hinauti-2, Satna	1.67	16.05.2018	Digiana Industries Pvt. Ltd
Rajasthan	Limestone block- 3B1-(a)n/v Deh ,Nagaur	126.95	06.01.2017	Emami Cement
Rajasthan	Limestone block- 3B1-(b)n/v Deh, Nagaur	168.84	22.09.2016	Emami Cement
Gujarat	Mudhvay Sub-block D, kachchh	125.00	30.05.2017	JSW Cement Ltd
Rajasthan	3B2, n/v Sarasani Tehsil & District Nagaur	205.54	05.02.2018	JSW Cement Ltd
AP	Gudipadu limestone block	26.66	08.06.2016	Penna cements
Chattisgarh	Karhi Chandi, Balodabazar-Bhatapara	155.00	18.02.2016	Shree Cements
Gujarat	Mudhvay Sub-block B, kachchh	301.50	25.05.2017	Shree Cements
Rajasthan	Rata-Mandha-1A (RM-1A), Dist. Jaisalmer	209.27	25.06.2018	Shree Cements
AP	ErragudiHussainapuram –Yanakandla	9.03	26.09.2017	Sree Jayajothi Cements Pvt. Ltd
AP	Nandavaram –Venkatapuram	1.66	26.09.2017	Sree Jayajothi Cements Pvt Ltd.
Chattisgarh	Guma block, District Baloda Bazar -Bhatapara	124.00	12.03.2018	Ultratech Cement
Madhya Pradesh	Deora-Sitapuri-Udiyapura, Dist. Dhar	61.96	15.05.2018	Ultratech Cement

Source: Ministry of Mines

- The new land acquisition act has brought about features such as rehabilitation of affected families, approval of ~70% of owners, social impact assessment etc. This adds to the timeline and cost of the project. Moreover, stricter environmental clearance processes, including obtaining approvals from State Pollution Control Boards, may take 9 months to a year to complete
- The Mines and Minerals (Development and Regulation) Amendment Act, 2015 was a game-changer for the cement industry as it changed the process of acquiring limestone mines, the key raw material to manufacture cement. The act specifies that the limestone mines may only be licensed through a bidding process, such as e-auction. This has created a level-playing field, however it has created an additional cost burden. The Act however, has also added a provision, to transfer limestone mines in case of acquisitions.
- With the IBC process making resolution of stressed assets easier and the MMDR Act making acquisition of limestone costlier, companies prefer going through inorganic mode of growth for future expansion.
- The top 5 players in the cement industry have cemented their position with a capacity share of 54% vs 47% in 2007. (65-75% in North, West and Central; but only 40% in the South) With players having capacity >30mt continuing to expand aggressively, the consolidation is expected to be a tailwind to the industry (higher pricing power).
- Although the industry witnessed 62% of the overall capacity expansion through the greenfield route from FY15-18, future capacity addition and consolidation is expected to be replaced by brownfield expansions and M&A activities due to lower lead time as well as capex costs.

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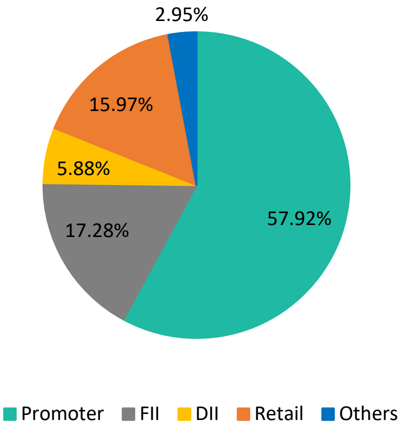
Management Team

Name	Designation
Pradip Kumar Khaitan	Chairman
Yadu Hari Dalmia	Managing Director
Gautam Dalmia	Director
N Gopalaswamy	Director
Sudha Pillai	Director
Jai Hari Dalmia	Managing Director
Jayesh Doshi	WholeTime Director & CFO
Puneet Yadu Dalmia	Director
Virendra Singh Jain	Director

Shareholding Pattern



About the company

Dalmia Bharat is a part of the Dalmia Group, which was founded in 1935 by Mr.Jaidayal Dalmia. The company is headquartered in Delhi and has interests in cement, sugar, refractory, travel, magnesite and electronics operations. Although, the company had its cement interests spread out under a number of companies historically (namely Adhunik Cement, OCL India, Calcom), they have been recently restructured into Dalmia Bharat. Currently, the company's cement operations are mainly present in the Southern and Eastern regions with 12.1 MnT in the South, 9.3 MnT in the East and 3.6 MnT in the North East.

Location of the Plant	State	Region	Type	Capacity (Million Tons)
Dalmiapuram	Tamil Nadu	South	Integrated	4
Ariyalur	Tamil Nadu	South	Integrated	2.5
Belgaum	Karnataka	South	Integrated	2.7
Kadapa	Andhra Pradesh	South	Integrated	2.6
Kapilash	Orissa	East	Grinding	1.4
Rajgangpur	Orissa	East	Integrated	4
Medinipur	West Bengal	East	Grinding	1.8
Bokaro	Jharkhand	East	Grinding	2.6
Lumshnong	Meghalaya	North East	Integrated	1.5
Lanka	Assam	North East	Integrated	2.1

Third generation management to propel DBL forward

The third generation of the Dalmia group was ushered in 2007 with Mr. Puneet Dalmia spearheading the division as Managing Director. A gold medallist from IIM-Bangalore and an engineer from IIT Delhi, Mr. Puneet played a pivotal role in attracting private equity players as well as expanding organically. Under his leadership, each business has successfully increased its capacity and created new and dynamic quality metrics. The Group's revenue has risen exponentially, making it the second largest cement manufacturer in south India.

Top Fund Holding

Name	% of Holding
Aditya Birla Sun Life Fund	2.33
Oppenheimer Developing Markets Fund	1.12
Small Cap World Fund	1.6

Profit & Loss (INR Crores)	FY17	FY18	FY19E	FY20E	FY21E
Net sales	**7404.4**	**8608.8**	**9695.7**	**11095.0**	**12165.2**
COGS	1406.1	1583.4	1757.5	2028.8	2226.2
Employee Expenses	609.2	641.5	699.2	776.1	853.7
Power and Fuel Cost	979.2	1366.1	1659.2	1898.7	2081.8
Selling and Distribution Expenses	1229.0	1591.1	1812.9	2016.5	2149.2
Other Expenses	1279.0	1400.2	1546.1	1669.8	1803.4
EBITDA	**1901.9**	**2026.6**	**2220.8**	**2705.1**	**3050.9**
D&A	602.7	703.7	795.7	927.8	1026.0
Other income	298.8	278.4	354.4	358.9	417.8
EBIT	**1598.0**	**1601.2**	**1779.5**	**2136.2**	**2442.7**
Interest Expense	890.0	689.9	654.8	645.8	666.9
PBT	**708.0**	**911.2**	**1124.8**	**1490.4**	**1775.8**
Tax	276.2	267.7	337.4	447.1	532.8
PAT	**344.8**	**535.9**	**661.3**	**899.0**	**1084.9**
EPS in INR	38.8	60.1	74.4	101.1	122.0

Balance Sheet (INR Crores)	FY17	FY18	FY19E	FY20E	FY21E
Share Capital	17.8	17.8	17.8	17.8	17.8
Reserves & Surplus	4947.1	5979.5	6617.7	7485.2	8532.2
Shareholder's Funds	**4964.9**	**5997.3**	**6635.5**	**7503.1**	**8550.0**
Minority Interest	**612.9**	**720.6**	**846.6**	**990.8**	**1149.0**
Long term borrowings	6254.7	5461.9	5853.5	6245.2	6636.9
Deferred Tax Liability (Net)	1576.4	1454.8	1454.8	1454.8	1454.8
Other long-term liabilities	177.8	120.2	263.6	304.3	333.9
Long term provisions	153.8	97.5	193.3	223.2	244.9
Non-current liabilities	**8162.7**	**7134.4**	**7765.3**	**8227.5**	**8670.5**
Short term borrowings	1220.0	863.2	1275.0	1100.0	1075.0
Trade payables	954.1	908.4	963.0	1139.5	1219.8
Other current liabilities	1661.7	2239.6	2137.1	2168.4	2199.8
Short-term provisions	401.6	458.1	458.1	458.1	458.1
Current liabilities	**4237.4**	**4469.3**	**4833.1**	**4866.0**	**4952.7**
Total Equity and Liabilities	**17977.8**	**18321.5**	**20080.5**	**21587.4**	**23322.2**
Goodwill on consolidation	2694.7	1706.2	1706.2	1706.2	1706.2
Gross Block	10645.5	11238.3	12706.3	14816.3	16384.3
Less Accum. Deprn	1031.6	1735.4	2531.0	3458.8	4484.8
Fixed Assets	**9613.9**	**9502.9**	**10175.2**	**11357.4**	**11899.5**
Other Non Current Assets	829.4	934.3	976.2	984.8	973.6
Total Non-current Assets	**13138.1**	**12143.4**	**12857.6**	**14048.4**	**14579.3**
Current Investments	2641.4	3407.9	4430.3	4430.3	5094.9
Inventories	648.8	779.2	866.7	1000.5	1128.3
Trade receivables	593.3	521.7	557.8	607.9	666.6
Cash and cash equivalents (Incl. other bank balances)	175	353.8	459.8	341.8	539.1
Short term loans & advances	43.5	83.3	69.8	80.7	96.8
Other Current Assets	737.7	1032.3	838.5	1077.7	1217.3
Total Current Assets	**4839.8**	**6178.1**	**7223.0**	**7539.0**	**8742.9**
Total Assets	**17977.8**	**18321.5**	**20080.5**	**21587.4**	**23322.2**

Source: NSPL Research

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Cash Flow (INR Crores)	FY17	FY18	FY19E	FY20E	FY21E
PBT	708.0	911.2	1124.8	1490.4	1775.8
Depreciation	602.7	703.7	795.7	927.8	1026.0
Operating profit after working capital changes	-216.3	207.5	275.0	-155.7	-179.1
Less income tax paid	-55.5	-55.5	-337.4	-447.1	-532.8
Cash Flow from Operating	**1717.6**	**2456.9**	**2512.7**	**2461.2**	**2756.8**
(Incr)/ Decr in Gross PP&E	-355.6	-592.7	-1468.0	-2110.0	-1568.0
(Purchase)/ Sale of Current Investments (net)	97.6	117.2	-1064.2	-8.6	-653.4
Cash Flow from Investing	**-182.2**	**-427.2**	**-2532.2**	**-2118.6**	**-2221.4**
(Decr)/Incr in Debt	-682.6	-1149.6	803.5	216.7	366.7
Finance costs	-872.7	-689.9	-654.8	-645.8	-666.9
Cash Flow from Financing	**-1553.3**	**-1839.5**	**125.6**	**-460.6**	**-338.2**
Cash at the Start of the Year	150.2	132.4	322.5	428.6	310.5
Incr/ (Decr) in Cash	-17.8	190.1	106.1	-118.1	197.3
Cash at the End of the Year	**132.4**	**322.5**	**428.6**	**310.5**	**507.8**

RATIOS	FY17	FY18	FY19E	FY20E	FY21E
Particulars					
EBITDA/ton	1243.1	1194.9	1185.9	1275.0	1324.6
Volume (mn tons)	15.3	17.0	18.7	21.2	23.0
Growth (%)					
Total Sales	15.0%	6.1%	9.5%	14.4%	9.6%
EBITDA	19.5%	6.6%	9.6%	21.8%	12.8%
PAT	81.5%	55.4%	23.4%	35.9%	20.7%
Profitability (%)					
EBITDA Margin	25.7%	23.5%	22.9%	24.4%	25.1%
NPM	4.7%	6.2%	6.8%	8.1%	8.9%
ROE	6.9%	8.9%	10.0%	12.0%	12.7%
ROCE	11.7%	11.4%	11.8%	13.1%	13.6%
Per share data					
EPS	38.8	60.3	74.4	101.1	122.0
BPS	558.5	674.6	746.4	844.0	961.8
Valuations (x)					
P/E (x)	38.6	45.1	27.6	20.3	16.8
EV/EBITDA (x)	9.8	13.7	9.4	7.9	6.8
EV/Ton ($)	110.9	151.9	98.8	100.5	77.5
Net Debt/EBITDA	2.77	1.75	1.23	1.15	0.87
Net Debt/Equity	1.1	0.6	0.4	0.4	0.3
Interest Coverage	1.8	2.3	2.7	3.3	3.7

Source: NSPL Research

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Dalmia Bharat Ltd.				Rating Legend	
Date	CMP (INR)	Target Price (INR)	Recommendation	**Strong Buy**	**More than 15%**
October 12, 2018 (Company Update)	2052	2817	Strong Buy	**Buy**	**5% - 15%**
August 13, 2018	2561	3188	Strong Buy	**Hold**	**0 – 5%**
				Reduce	**-5% - 0**
				Sell	**Less than -5%**

Following table contains the disclosure of interest in order to adhere to utmost transparency in the matter;

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Has research analyst or NSPL engaged in market making activity for the subject company	NO
Other disclosures	NO

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