

February 6, 2021

Q3FY21 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	1,480		1,480	
Sales (Rs. m)	1,23,558	1,37,595	1,22,561	1,36,269
% Chng.	0.8	1.0		
EBITDA (Rs. m)	26,253	30,046	26,251	29,763
% Chng.	-	1.0		
EPS (Rs.)	36.9	50.7	35.6	48.9
% Chng.	3.7	3.7		

Key Financials - Consolidated

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	96,740	1,04,460	1,23,558	1,37,595
EBITDA (Rs. m)	20,830	26,037	26,253	30,046
Margin (%)	21.5	24.9	21.2	21.8
PAT (Rs. m)	4,090	7,240	6,899	9,474
EPS (Rs.)	21.2	38.8	36.9	50.7
Gr. (%)	34.0	82.9	(4.7)	37.3
DPS (Rs.)	2.0	2.0	2.0	2.0
Yield (%)	0.2	0.2	0.2	0.2
RoE (%)	14.4	16.6	13.6	14.2
RoCE (%)	12.1	14.5	13.0	15.0
EV/Sales (x)	2.8	2.4	1.9	1.6
EV/EBITDA (x)	12.9	9.6	9.2	7.4
PE (x)	58.5	32.0	33.6	24.4
P/BV (x)	2.3	2.0	1.9	1.8

Key Data DALB.BO | DALBHARA IN

52-W High / Low	Rs.1,305 / Rs.403
Sensex / Nifty	50,732 / 14,924
Market Cap	Rs.232bn/ \$ 3,176m
Shares Outstanding	187m
3M Avg. Daily Value	Rs.466.19m

Shareholding Pattern (%)

Promoter's	56.07
Foreign	13.53
Domestic Institution	3.93
Public & Others	26.47
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	10.9	60.6	40.1
Relative	5.9	19.2	13.6

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Delivers in intense competition

Quick Pointers:

- Gross Debt fell 12%/Rs6.3bn QoQ (↓23%/Rs13.8bn in 9MFY21) to Rs45.9bn.
- Cement prices in January fell marginally by Rs2-3 per bag from Q3 average.
- Target to double the cement capacity in next 3 years to 55-60mnt.

Dalmia Bharat (DALBHARA) reported Q3FY21 EBITDA in line with our estimates and above consensus estimates (CE) by 4%. Performance stands out given its high exposure to highly price competitive East region (45% of its volumes) currently at near 7-year low.

Underpinned by 1) highly efficient operations- ranks fourth on margins in the sector, 2) sizeable operations- 4th largest player with 29mnt capacity (growing to 39mnt by FY23) and 3) attractive valuations- EV/EBITDA: 9.2x/7.4x FY22e/FY23e at near 50% discount to its peers, we remain positive on the stock. We maintain BUY rating with TP of Rs1,480, EV/EBITDA of 9x FY23e.

- Delivers on both volume growth and margin expansion:** Driven by expansion in East region, volumes grew 14% YoY at 5.8mnt (PLe:5.85mnt). Realisations rose 5.7% YoY/Rs255/t (down 2% QoQ/Rs100/t) at Rs4,717/t, above our estimate of Rs4,665/t. Cost fell 1% YoY at Rs3,545, below our estimate of Rs3,505 due to higher energy cost. Due to better realisations offset by marginally higher costs, EBITDA/t came in line with our estimates at Rs1,172 (PLe:Rs1,160), +32% YoY. EBITDA grew 51% YoY at Rs6.9bn (PLe:Rs6.9bn). Due to higher tax rate (42% v/s PLe:34%), PAT came lower at Rs1.8bn (PLe:Rs2.2bn/CE:Rs2.1bn), up 6.6x YoY.
- Key takeaways of earnings call:** **1)** Appointed E&Y as internal auditor **2)** Awarded an assignment to E&Y for changes in treasury operations processes **3)** K G Somani & Co, an independent agency specializing in forensic audit, in its report found that Allied Financial services Pvt. Ltd used fraudulent practices to transfer MF units worth Rs3.44bn to its account **4)** Pet coke consumption price fell 3% YoY/+18% QoQ to US\$83/t **5)** Carrying low cost pet coke inventory for next couple of months **6)** Putting up WHRS at all kilns (except TN) to meet target of renewables at 50% (7% in FY20) of total power consumption by FY25e **7)** Will announce next leg of expansion in couple of months **8)** Aspiration to become pan India player in medium term **9)** 2.3mnt/2.3mnt plants at Odisha/West Bengal would be commissioned in Q4FY21e and Q1FY22e **10)** Production at acquired 3.0mnt plant of Murli Industries in Maharashtra would be commissioned by H2FY22e **11)** Newly commissioned 3mtpa clinker unit in Odisha is operating at 70% utilisation **12)** Lead distance increased 3% YoY at 285kms **13)** Spent Rs10.8bn on capex in 9MFY21 which includes Rs3.5bn/4.6bn/Rs3bn for ongoing expansion in East/Murli plant/Modernisation and upgradation **14)** Guided capex of Rs10bn in FY22e and the major part would be spend on expansion in East region **15)** Trade mix at 65% **16)** Premium product sales grew 60% YoY with share at 18% of trade sales

Exhibit 1: Q3FY21 Result Overview (Rs mn)

Y/e March (Rs mn)	Q3FY21	Q3FY20	YoY gr. (%)	Q2FY21	9MFY21	9MFY20	YoY gr. (%)
Net Sales	28,570	24,180	18.2	24,100	72,410	71,910	0.7
Raw Material	4,790	4,310	11.1	3,920	12,220	12,300	(0.7)
<i>% of Net Sales</i>	<i>16.8</i>	<i>17.8</i>		<i>16.3</i>	<i>16.9</i>	<i>17.1</i>	
Staff Costs	1,760	1,690	4.1	1,690	5,190	5,110	1.6
<i>% of Net Sales</i>	<i>6.2</i>	<i>7.0</i>		<i>7.0</i>	<i>7.2</i>	<i>7.1</i>	
Power & Fuel	4,990	4,580	9.0	3,500	11,040	13,520	(18.3)
<i>% of Net Sales</i>	<i>17.5</i>	<i>18.9</i>		<i>14.5</i>	<i>15.2</i>	<i>18.8</i>	
Freight	5,080	4,500	12.9	4,200	14,120	13,870	1.8
<i>% of Net Sales</i>	<i>17.8</i>	<i>18.6</i>		<i>17.4</i>	<i>19.5</i>	<i>19.3</i>	
Other Expenses	5,040	4,530	11.3	3,770	9,770	11,130	(12.2)
<i>% of Net Sales</i>	<i>17.6</i>	<i>18.7</i>		<i>15.6</i>	<i>13.5</i>	<i>15.5</i>	
Total Expenditure	21,660	19,610	10.5	17,080	52,340	55,930	(6.4)
EBITDA	6,910	4,570	51.2	7,020	20,070	15,980	25.6
<i>Margin (%)</i>	<i>24.2</i>	<i>18.9</i>		<i>29.1</i>	<i>27.7</i>	<i>22.2</i>	
Depreciaton	3,290	4,050	(18.8)	3,020	9,320	11,530	(19.2)
Other income	460	680	(32.4)	410	1,420	1,610	(11.8)
EBIT	4,080	1,200	240.0	4,410	12,170	6,060	100.8
Interest	910	950	(4.2)	730	2,370	3,140	(24.5)
PBT	3,170	250	1,168.0	3,680	9,800	2,920	235.6
Extraordinary income/(expense)	-	-		-	-	-	
PBT (After EO)	3,170	250	1,168.0	3,680	9,800	2,920	235.6
Tax	1,340	(10)	(13,500.0)	1,360	3,770	780	383.3
<i>% PBT</i>	<i>42.3</i>	<i>-4.0</i>		<i>37.0</i>	<i>38.5</i>	<i>26.7</i>	
Reported PAT	1,830	260	603.8	2,320	6,030	2,140	181.8
Minority Interest	10	20		-	(10)	160	(106.3)
Net Profit Attributable to shareholders	1,820	240	658.3	2,320	6,040	1,980	205.1
Adjusted PAT	1,820	240	658.3	2,320	6,040	1,980	205.1

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March (Rs mn)	Q3FY21	Q3FY20	YoY gr. (%)	Q2FY21	9MFY21	9MFY20	YoY gr. (%)
Volume (mn te) - Cement	5.8	5.1	13.7	4.8	14.3	14.1	1.0
Realisations (Rs/te) - Cement	4,717	4,461	5.7	4,815	4,871	4,746	2.6
Cement EBITDA (Rs/te)	1,172	885	32.4	1,457	1,397	1,112	25.7

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	96,740	1,04,460	1,23,558	1,37,595
YoY gr. (%)	2.0	8.0	18.3	11.4
Cost of Goods Sold	17,460	19,089	23,701	26,147
Gross Profit	79,280	85,371	99,857	1,11,447
Margin (%)	82.0	81.7	80.8	81.0
Employee Cost	6,750	6,831	7,241	7,603
Other Expenses	4,800	4,188	4,752	5,094
EBITDA	20,830	26,037	26,253	30,046
YoY gr. (%)	6.8	25.0	0.8	14.4
Margin (%)	21.5	24.9	21.2	21.8
Depreciation and Amortization	13,080	13,086	14,285	14,620
EBIT	7,750	12,951	11,968	15,425
Margin (%)	8.0	12.4	9.7	11.2
Net Interest	4,150	3,308	3,434	3,036
Other Income	2,170	1,726	2,311	2,418
Profit Before Tax	3,570	11,370	10,845	14,807
Margin (%)	3.7	10.9	8.8	10.8
Total Tax	1,190	3,979	3,796	5,182
Effective tax rate (%)	33.3	35.0	35.0	35.0
Profit after tax	2,380	7,390	7,049	9,624
Minority interest	140	150	150	150
Share Profit from Associate	-	-	-	-
Adjusted PAT	4,090	7,240	6,899	9,474
YoY gr. (%)	34.1	77.0	(4.7)	37.3
Margin (%)	4.2	6.9	5.6	6.9
Extra Ord. Income / (Exp)	(2,200)	-	-	-
Reported PAT	2,240	7,240	6,899	9,474
YoY gr. (%)	(27.3)	223.2	(4.7)	37.3
Margin (%)	2.3	6.9	5.6	6.9
Other Comprehensive Income	(2,110)	-	-	-
Total Comprehensive Income	270	7,390	7,049	9,624
Equity Shares O/s (m)	193	187	187	187
EPS (Rs)	21.2	38.8	36.9	50.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	1,87,440	2,14,439	2,23,833	2,34,311
Tangibles	1,87,440	2,14,439	2,23,833	2,34,311
Intangibles	-	-	-	-
Acc: Dep / Amortization	61,890	74,976	89,261	1,03,881
Tangibles	61,890	74,976	89,261	1,03,881
Intangibles	-	-	-	-
Net fixed assets	1,25,550	1,39,463	1,34,572	1,30,431
Tangibles	1,25,550	1,39,463	1,34,572	1,30,431
Intangibles	-	-	-	-
Capital Work In Progress	19,330	5,232	9,032	4,830
Goodwill	-	-	-	-
Non-Current Investments	2,500	2,512	2,542	2,563
Net Deferred tax assets	(12,770)	(14,362)	(15,880)	(17,657)
Other Non-Current Assets	2,040	2,040	2,040	2,040
Current Assets				
Investments	26,980	32,491	32,491	32,491
Inventories	9,740	10,017	11,848	13,194
Trade receivables	3,970	4,293	5,416	6,032
Cash & Bank Balance	4,030	11,648	15,496	20,462
Other Current Assets	4,190	4,590	5,090	5,590
Total Assets	2,06,110	2,20,086	2,26,378	2,25,532
Equity				
Equity Share Capital	390	378	378	378
Other Equity	1,05,220	1,13,554	1,20,079	1,29,180
Total Networkth	1,05,610	1,13,931	1,20,457	1,29,557
Non-Current Liabilities				
Long Term borrowings	60,490	62,076	56,986	43,389
Provisions	1,400	2,340	2,340	2,340
Other non current liabilities	2,190	1,940	1,690	1,440
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	8,320	9,158	10,832	12,063
Other current liabilities	15,080	15,879	17,643	18,386
Total Equity & Liabilities	2,06,110	2,20,086	2,26,378	2,25,532

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	3,570	11,370	10,845	14,807
Add. Depreciation	15,280	13,086	14,285	14,620
Add. Interest	3,640	3,308	3,434	3,036
Less Financial Other Income	2,170	1,726	2,311	2,418
Add. Other	(1,200)	(1,156)	(1,641)	(1,748)
Op. profit before WC changes	21,290	26,607	26,923	30,716
Net Changes-WC	2,740	1,296	(347)	(809)
Direct tax	(660)	(2,388)	(2,277)	(3,406)
Net cash from Op. activities	23,370	25,515	24,299	26,501
Capital expenditures	(13,380)	(12,901)	(13,194)	(6,277)
Interest / Dividend Income	750	1,156	1,641	1,748
Others	(4,970)	-	-	-
Net Cash from Inv. activities	(17,600)	(11,744)	(11,553)	(4,529)
Issue of share cap. / premium	-	(4,045)	-	-
Debt changes	(310)	1,586	(5,090)	(13,596)
Dividend paid	(930)	(386)	(374)	(374)
Interest paid	(4,670)	(3,308)	(3,434)	(3,036)
Others	-	-	-	-
Net cash from Fin. activities	(5,910)	(6,152)	(8,898)	(17,006)
Net change in cash	(140)	7,618	3,848	4,965
Free Cash Flow	9,870	16,614	11,105	20,224

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Net Revenue	24,830	19,740	24,100	28,570
YoY gr. (%)	(12.6)	(22.2)	7.8	18.2
Raw Material Expenses	5,160	3,510	3,920	4,790
Gross Profit	19,670	16,230	20,180	23,780
Margin (%)	79.2	82.2	83.7	83.2
EBITDA	5,080	6,140	7,020	6,910
YoY gr. (%)	(21.7)	(7.8)	47.8	51.2
Margin (%)	20.5	31.1	29.1	24.2
Depreciation / Depletion	3,750	3,010	3,020	3,290
EBIT	1,330	3,130	4,000	3,620
Margin (%)	5.4	15.9	16.6	12.7
Net Interest	1,240	730	730	910
Other Income	560	550	410	460
Profit before Tax	650	2,950	3,680	3,170
Margin (%)	2.6	14.9	15.3	11.1
Total Tax	410	1,070	1,360	1,340
Effective tax rate (%)	63.1	36.3	37.0	42.3
Profit after Tax	240	1,880	2,320	1,830
Minority interest	(20)	(20)	-	10
Share Profit from Associates	-	-	-	-
Adjusted PAT	260	1,900	2,320	1,820
YoY gr. (%)	(88.6)	29.3	759.3	658.3
Margin (%)	1.0	9.6	9.6	6.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	260	1,900	2,320	1,820
YoY gr. (%)	(88.6)	29.3	759.3	658.3
Margin (%)	1.0	9.6	9.6	6.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	260	1,900	2,320	1,820
Avg. Shares O/s (m)	195	195	195	195
EPS (Rs)	1.3	9.7	11.9	9.3

Source: Company Data, PL Research

Key Financial Metrics

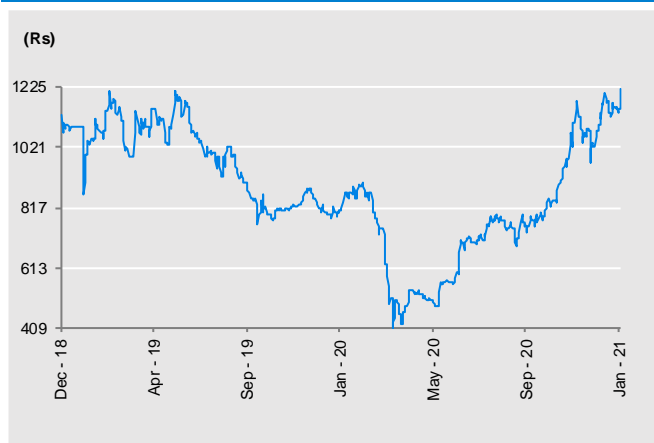
Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	21.2	38.8	36.9	50.7
CEPS	89.0	108.8	113.4	129.0
BVPS	547.3	609.9	644.9	693.6
FCF	51.2	88.9	59.4	108.3
DPS	2.0	2.0	2.0	2.0
Return Ratio(%)				
RoCE	12.1	14.5	13.0	15.0
ROIC	3.8	6.6	6.0	8.2
RoE	14.4	16.6	13.6	14.2
Balance Sheet				
Net Debt : Equity (x)	0.3	0.2	0.1	(0.1)
Net Working Capital (Days)	20	18	19	19
Valuation(x)				
PER	58.5	32.0	33.6	24.4
P/B	2.3	2.0	1.9	1.8
P/CEPS	13.9	11.4	10.9	9.6
EV/EBITDA	12.9	9.6	9.2	7.4
EV/Sales	2.8	2.4	1.9	1.6
Dividend Yield (%)	0.2	0.2	0.2	0.2

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Volume (mn te)-Cement	19	21	24	27
Cement Realisations (Rs/te)	4,686	4,790	4,932	4,886
Cement EBITDA (Rs/te)	1,072	1,243	1,087	1,104
Raw material cost (Rs/te)	905	915	985	965
Power & Fuel cost (Rs/te)	901	826	1,006	967
Freight cost (Rs/te)	982	990	1,020	1,030

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-21	BUY	1,480	1,204
2	06-Jan-21	BUY	1,480	1,118

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	1,870	1,761
2	Ambuja Cement	BUY	285	270
3	Coal India	Hold	143	147
4	Dalmia Bharat	BUY	1,480	1,204
5	Heidelberg Cement India	Hold	228	236
6	Hindalco Industries	BUY	305	257
7	Hindustan Zinc	Reduce	260	296
8	Jindal Steel & Power	BUY	400	282
9	JK Lakshmi Cement	BUY	425	350
10	JSW Steel	Reduce	335	375
11	NMDC	BUY	145	127
12	Shree Cement	Hold	23,400	22,550
13	Steel Authority of India	Accumulate	66	58
14	Tata Steel	Hold	745	695
15	The Ramco Cements	Reduce	807	861
16	Ultratech Cement	BUY	6,100	5,535

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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