

May 11, 2022

Q4FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,755		1,806	
Sales (Rs. m)	139,447	150,994	139,447	150,994
% Chng.	-	-	-	-
EBITDA (Rs. m)	28,081	31,974	28,081	31,974
% Chng.	-	-	-	-
EPS (Rs.)	55.1	68.9	54.3	68.2
% Chng.	1.4	1.1	-	-

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	105,220	117,192	139,447	150,994
EBITDA (Rs. m)	27,910	23,286	28,081	31,974
Margin (%)	26.5	19.9	20.1	21.2
PAT (Rs. m)	10,000	7,468	10,333	12,924
EPS (Rs.)	53.3	39.8	55.1	68.9
Gr. (%)	151.6	(25.3)	38.4	25.1
DPS (Rs.)	1.3	5.0	5.0	5.0
Yield (%)	0.1	0.4	0.4	0.4
RoE (%)	18.7	12.5	13.5	13.8
RoCE (%)	17.0	12.5	13.7	14.5
EV/Sales (x)	2.6	2.3	2.0	1.9
EV/EBITDA (x)	9.6	11.6	9.9	9.0
PE (x)	26.7	35.7	25.8	20.6
P/BV (x)	2.1	2.0	1.9	1.8

Key Data DALB.BO | DALBHARA IN

52-W High / Low	Rs.2,548 / Rs.1,278
Sensex / Nifty	54,365 / 16,240
Market Cap	Rs.266bn/ \$ 3,445m
Shares Outstanding	187m
3M Avg. Daily Value	Rs.426.78m

Shareholding Pattern (%)

Promoter's	55.97
Foreign	13.46
Domestic Institution	6.49
Public & Others	24.08
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(11.5)	(34.4)	(14.0)
Relative	(3.3)	(27.2)	(21.7)

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Beat on estimates; Headwinds on margins to continue

Quick Pointers:

- Increased prices by Rs10-20/bag in East and North East; no hike in South
- Coal cost to further increase by 30% QoQ to US\$230/t
- Expects H1FY23 to be challenging for margins due to severe cost pressures
- Put a short pause on capacity expansion beyond ongoing expansion due to abnormal increase in energy prices and volatile environment

Dalmiabharat Cement (DALBHARA) posted better than expected Q4FY22 earnings on back of higher realisations. EBITDA declined 11% YoY to Rs6.8bn, above our/consensus estimates (CE) by 15%/29%. Aided by one-time deferred tax credit of Rs3.3bn in one of the subsidiary, Reported PAT declined 5% YoY to Rs5.94bn. Adjusted for the same, PAT declined 23% YoY to Rs2.64bn (PLe:Rs1.97bn, CE:Rs1.46bn).

As expected, DALBHARA's margins recovered QoQ due to unsustainable price levels and high input costs. However, we don't expect material improvement in margins from current levels due to unabated capacity addition and intense competition for market share. We continue to like DALBHARA's efficient operations, strong capacity growth and comfortable B/S. Maintain Accumulate rating with TP of Rs1,755, EV/EBITDA of 11x FY24e.

- Better realisations led the beat:** Aided by volumes from acquired plant of Murli in Maharashtra and weak base in South region, volumes grew 2.3% YoY at 6.6mnt (PLe:6.7mnt). Realisations increased 6.4% QoQ/Rs310 (+4.8% YoY/Rs235) to Rs5,135 (PLe:Rs4,955). Owing to 52%/8% increase in power & fuel cost and freight cost, Cost increased by 11% YoY to Rs4,105/t (PLe:Rs4,075). Led by higher than expected realisations, EBITDA/t came above our estimates at Rs,1040 (PLe:R890), down 13% YoY (+44% QoQ). PBT declined 15% YoY to Rs3.6bn (PLe:Rs2.7bn, CE:Rs2.3bn).
- Key takeaways of earnings call:** **1)** On track to increase cement grinding capacity by 35% (12.6mnt) to 48.5mnt by end of FY24e **2)** Out of total 12.6mnt of expansion, 4.1mnt would be commissioned in FY23e **3)** Guided for capex of Rs30-35bn/Rs35-40bn in FY23e/FY24e; Spent Rs19bn on capex in FY22 **4)** Coal cost increased 14% QoQ to US\$180/t in Q4FY22 **5)** Pet coke share in quarter stood at 64% **6)** Accrued GST incentives of Rs520mn/Rs2,310mn in Q4FY22/FY22. While, it received Rs770mn/Rs2,370mn **7)** Expects to accrue incentives of Rs2.4bn for FY23 and FY24 each including Murli plant **8)** Incentive receivables stand at Rs6.65bn **9)** Murli plant is currently operating at 55-60% utilisation rate **10)** Murli plant's sunset period for GST incentives extended by Govt of Maharashtra by four years to 2036 **11)** Gross debt declined 14% QoQ to Rs31.4bn; Net cash fell 11% QoQ to Rs14.2bn due to lower MTM value of investments in IEX

Exhibit 1: Q4FY22 Result Overview (Rs mn)

Y/e March (Rs mn)	Q4FY22	Q4FY21	YoY gr. (%)	Q3FY22	FY22	FY21	YoY gr. (%)
Net Sales	33,800	31,510	7.3	27,340	1,12,290	1,01,020	11.2
Raw Material	4,320	4,880	(11.5)	4,410	14,720	15,430	(4.6)
<i>% of Net Sales</i>	<i>12.8</i>	<i>15.5</i>		<i>16.1</i>	<i>13.1</i>	<i>15.3</i>	
Staff Costs	1,790	1,750	2.3	1,840	7,440	6,590	12.9
<i>% of Net Sales</i>	<i>5.3</i>	<i>5.6</i>		<i>6.7</i>	<i>6.6</i>	<i>6.5</i>	
Power & Fuel	8,730	5,630	55.1	6,700	25,650	16,540	55.1
<i>% of Net Sales</i>	<i>25.8</i>	<i>17.9</i>		<i>24.5</i>	<i>22.8</i>	<i>16.4</i>	
Freight	6,500	5,860	10.9	5,170	23,700	20,730	14.3
<i>% of Net Sales</i>	<i>19.2</i>	<i>18.6</i>		<i>18.9</i>	<i>21.1</i>	<i>20.5</i>	
Other Expenses	5,630	5,710	(1.4)	5,130	17,160	14,110	21.6
<i>% of Net Sales</i>	<i>16.7</i>	<i>18.1</i>		<i>18.8</i>	<i>15.3</i>	<i>14.0</i>	
Total Expenditure	26,970	23,830	13.2	23,250	88,670	73,400	20.8
EBITDA	6,830	7,680	(11.1)	4,090	23,620	27,620	(14.5)
<i>Margin (%)</i>	<i>20.2</i>	<i>24.4</i>		<i>15.0</i>	<i>21.0</i>	<i>27.3</i>	
Depreciation	3,340	3,270	2.1	3,020	12,360	12,500	(1.1)
Other income	530	390	35.9	300	1,540	1,800	(14.4)
EBIT	4,020	4,800	(16.3)	1,370	12,800	16,920	(24.3)
Interest	460	600	(23.3)	440	1,960	2,950	(33.6)
PBT	3,560	4,200	(15.2)	930	10,840	13,970	(22.4)
Extraordinary income/(expense)	40	-		-	620	-	
PBT (After EO)	3,600	4,200	(14.3)	930	11,460	13,970	(18.0)
Tax	(2,390)	(2,200)	-	340	(140)	1,560	(109.0)
<i>% PBT</i>	<i>-66.4</i>	<i>-52.4</i>		<i>36.6</i>	<i>-1.2</i>	<i>11.2</i>	
Reported PAT	5,990	6,400	(6.4)	590	11,600	12,410	(6.5)
Minority Interest	50	120		80	290	110	-
Net Profit Attributable to shareholders	5,940	6,280	(5.4)	510	11,310	12,300	(8.0)
Adjusted PAT	2,640	3,420	(22.8)	530	7,683	9,440	(18.6)

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March (Rs mn)	Q4FY22	Q4FY21	YoY gr. (%)	Q3FY22	FY22	FY21	YoY gr. (%)
Volume (mn te) - Cement	6.6	6.4	2.3	5.7	22.2	20.7	7.4
Realisations (Rs/te) - Cement	5,135	4,900	4.8	4,826	5,069	4,880	3.9
Cement EBITDA (Rs/te)	1,040	1,196	(13.1)	723	1,063	1,336	(20.4)

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	105,220	117,192	139,447	150,994
YoY gr. (%)	8.8	11.4	19.0	8.3
Cost of Goods Sold	17,800	20,113	23,327	26,020
Gross Profit	87,420	97,078	116,120	124,974
Margin (%)	83.1	82.8	83.3	82.8
Employee Cost	7,130	7,700	8,239	8,734
Other Expenses	4,780	5,494	5,999	6,330
EBITDA	27,910	23,286	28,081	31,974
YoY gr. (%)	34.0	(16.6)	20.6	13.9
Margin (%)	26.5	19.9	20.1	21.2
Depreciation and Amortization	12,620	12,118	12,726	13,142
EBIT	15,290	11,168	15,354	18,832
Margin (%)	14.5	9.5	11.0	12.5
Net Interest	3,030	2,394	2,775	2,740
Other Income	1,820	1,647	1,781	1,818
Profit Before Tax	14,080	10,421	14,360	17,910
Margin (%)	13.4	8.9	10.3	11.9
Total Tax	1,650	2,814	3,877	4,836
Effective tax rate (%)	11.7	27.0	27.0	27.0
Profit after tax	12,430	7,608	10,483	13,074
Minority interest	120	140	150	150
Share Profit from Associate	-	-	-	-
Adjusted PAT	10,000	7,468	10,333	12,924
YoY gr. (%)	144.5	(25.3)	38.4	25.1
Margin (%)	9.5	6.4	7.4	8.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	12,310	7,468	10,333	12,924
YoY gr. (%)	449.6	(39.3)	38.4	25.1
Margin (%)	11.7	6.4	7.4	8.6
Other Comprehensive Income	10,950	-	-	-
Total Comprehensive Income	23,380	7,608	10,483	13,074
Equity Shares O/s (m)	188	188	188	188
EPS (Rs)	53.3	39.8	55.1	68.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	211,240	224,352	232,596	238,922
Tangibles	211,240	224,352	232,596	238,922
Intangibles	-	-	-	-
Acc: Dep / Amortization	73,870	85,988	98,714	111,855
Tangibles	73,870	85,988	98,714	111,855
Intangibles	-	-	-	-
Net fixed assets	137,370	138,365	133,882	127,066
Tangibles	137,370	138,365	133,882	127,066
Intangibles	-	-	-	-
Capital Work In Progress	11,870	16,447	38,757	67,315
Goodwill	-	-	-	-
Non-Current Investments	2,480	2,488	2,503	2,510
Net Deferred tax assets	(16,340)	(16,548)	(16,836)	(17,194)
Other Non-Current Assets	1,550	1,550	1,550	1,550
Current Assets				
Investments	32,930	32,930	32,930	32,930
Inventories	9,240	10,595	12,608	13,651
Trade receivables	6,880	8,027	9,551	10,342
Cash & Bank Balance	3,110	8,438	3,467	(10,361)
Other Current Assets	4,080	5,160	5,660	5,660
Total Assets	218,100	232,680	249,637	259,395
Equity				
Equity Share Capital	370	370	370	370
Other Equity	125,890	132,358	140,816	151,678
Total Network	126,260	132,728	141,186	152,048
Non-Current Liabilities				
Long Term borrowings	38,570	44,599	48,825	44,979
Provisions	1,710	2,650	2,650	2,650
Other non current liabilities	1,950	1,700	1,450	1,200
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	10,510	11,238	13,372	14,479
Other current liabilities	22,390	22,707	24,660	26,036
Total Equity & Liabilities	218,100	232,680	249,637	259,395

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	14,080	10,421	14,360	17,910
Add. Depreciation	12,620	12,118	12,726	13,142
Add. Interest	3,190	2,394	2,775	2,740
Less Financial Other Income	1,820	1,647	1,781	1,818
Add. Other	(1,880)	(977)	(1,111)	(1,148)
Op. profit before WC changes	28,010	23,956	28,751	32,644
Net Changes-WC	7,520	(1,946)	(265)	391
Direct tax	430	(2,605)	(3,590)	(4,478)
Net cash from Op. activities	35,960	19,405	24,896	28,557
Capital expenditures	(11,070)	(17,689)	(30,554)	(34,884)
Interest / Dividend Income	1,230	977	1,111	1,148
Others	7,080	-	-	-
Net Cash from Inv. activities	(2,760)	(16,712)	(29,443)	(33,736)
Issue of share cap. / premium	(4,000)	-	-	-
Debt changes	(25,700)	6,029	4,226	(3,845)
Dividend paid	-	(999)	(1,875)	(2,063)
Interest paid	(3,960)	(2,394)	(2,775)	(2,740)
Others	-	-	-	-
Net cash from Fin. activities	(33,660)	2,636	(425)	(8,648)
Net change in cash	(460)	5,328	(4,971)	(13,827)
Free Cash Flow	25,500	1,716	(5,658)	(6,327)

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Revenue	25,870	25,280	27,340	33,800
YoY gr. (%)	36.1	9.3	(0.1)	7.3
Raw Material Expenses	2,650	3,340	4,410	4,320
Gross Profit	23,220	21,940	22,930	29,480
Margin (%)	89.8	86.8	83.9	87.2
EBITDA	7,130	5,570	4,090	6,830
YoY gr. (%)	15.9	(20.2)	(39.9)	(11.1)
Margin (%)	27.6	22.0	15.0	20.2
Depreciation / Depletion	2,970	3,030	3,020	3,340
EBIT	4,160	2,540	1,070	3,490
Margin (%)	16.1	10.0	3.9	10.3
Net Interest	560	500	440	460
Other Income	260	450	300	530
Profit before Tax	3,860	3,070	930	3,600
Margin (%)	14.9	12.1	3.4	10.7
Total Tax	980	930	340	(2,390)
Effective tax rate (%)	25.4	30.3	36.6	(66.4)
Profit after Tax	2,880	2,140	590	5,990
Minority interest	110	50	80	50
Share Profit from Associates	-	-	20	-
Adjusted PAT	2,770	1,742	530	1,968
YoY gr. (%)	43.5	(24.6)	(70.2)	(42.5)
Margin (%)	10.7	6.9	1.9	5.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,770	2,090	530	5,940
YoY gr. (%)	43.5	(9.5)	(70.2)	(6.9)
Margin (%)	10.7	8.3	1.9	17.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,770	2,090	530	5,940
Avg. Shares O/s (m)	188	188	188	188
EPS (Rs)	14.8	9.3	2.8	10.5

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	53.3	39.8	55.1	68.9
CEPS	120.6	104.4	123.0	139.0
BVPS	673.3	707.8	752.9	810.8
FCF	136.0	9.1	(30.2)	(33.7)
DPS	1.3	5.0	5.0	5.0
Return Ratio(%)				
RoCE	17.0	12.5	13.7	14.5
ROIC	10.4	6.3	7.6	8.0
RoE	18.7	12.5	13.5	13.8
Balance Sheet				
Net Debt : Equity (x)	0.0	0.0	0.1	0.1
Net Working Capital (Days)	19	23	23	23
Valuation(x)				
PER	26.7	35.7	25.8	20.6
P/B	2.1	2.0	1.9	1.8
P/CEPS	11.8	13.6	11.6	10.2
EV/EBITDA	9.6	11.6	9.9	9.0
EV/Sales	2.6	2.3	2.0	1.9
Dividend Yield (%)	0.1	0.4	0.4	0.4

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Volume (mn te)-Cement	21	22	26	29
Cement Realisations (Rs/te)	4,872	5,021	5,167	5,013
Cement EBITDA (Rs/te)	1,345	1,036	1,075	1,095
Raw material cost (Rs/te)	861	899	897	895
Power & Fuel cost (Rs/te)	809	1,112	1,229	1,075
Freight cost (Rs/te)	1,009	1,039	1,050	1,060

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-22	Accumulate	1,806	1,593
2	31-Jan-22	Accumulate	2,130	1,785
3	10-Jan-22	Accumulate	2,280	1,990
4	16-Dec-21	Accumulate	2,290	1,886
5	28-Oct-21	Accumulate	2,290	1,991
6	06-Oct-21	Accumulate	2,370	2,074
7	06-Sep-21	Accumulate	2,300	2,229
8	29-Jul-21	Accumulate	2,300	2,148
9	06-Jul-21	BUY	2,175	1,970
10	01-Jul-21	BUY	2,175	1,891

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	2,300	2,057
2	Ambuja Cement	Hold	400	383
3	Coal India	Accumulate	220	195
4	Dalmia Bharat	Accumulate	1,806	1,593
5	Heidelberg Cement India	Reduce	200	202
6	Hindalco Industries	Hold	673	582
7	Hindustan Zinc	Reduce	322	338
8	Jindal Steel & Power	BUY	615	564
9	JK Lakshmi Cement	Hold	560	453
10	JSW Steel	Accumulate	835	757
11	NMDC	Accumulate	198	175
12	Shree Cement	Hold	25,687	24,743
13	Steel Authority of India	Accumulate	128	111
14	Tata Steel	BUY	1,705	1,261
15	The Ramco Cements	Hold	831	810
16	Ultratech Cement	Accumulate	7,180	6,630

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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