

August 8, 2022

Q1FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,827		1,755	
Sales (Rs. m)	1,44,492	1,56,993	1,39,447	1,50,994
% Chng.	3.6	4.0		
EBITDA (Rs. m)	27,739	33,104	28,081	31,974
% Chng.	(1.2)	3.5		
EPS (Rs.)	55.3	75.0	55.1	68.9
% Chng.	0.4	8.8		

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	1,05,220	1,17,192	1,44,492	1,56,993
EBITDA (Rs. m)	27,910	23,286	27,739	33,104
Margin (%)	26.5	19.9	19.2	21.1
PAT (Rs. m)	10,000	7,468	10,377	14,064
EPS (Rs.)	53.3	39.8	55.3	75.0
Gr. (%)	151.6	(25.3)	39.0	35.5
DPS (Rs.)	1.3	5.0	5.0	5.0
Yield (%)	0.1	0.3	0.3	0.3
RoE (%)	18.7	12.5	13.3	14.4
RoCE (%)	17.0	12.5	13.5	15.0
EV/Sales (x)	2.9	2.6	2.2	2.1
EV/EBITDA (x)	11.0	13.2	11.4	9.8
PE (x)	30.3	40.6	29.2	21.6
P/BV (x)	2.4	2.3	2.1	2.0

Key Data

DALB.BO | DALBHARA IN

52-W High / Low	Rs.2,548 / Rs.1,213
Sensex / Nifty	58,388 / 17,398
Market Cap	Rs.303bn/ \$ 3,822m
Shares Outstanding	187m
3M Avg. Daily Value	Rs.362.77m

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	24.1	(16.7)	(16.7)
Relative	13.0	(16.3)	(22.2)

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Dalmia Bharat (DALBHARA IN)

Rating: ACCUMULATE | CMP: Rs1,616 | TP: Rs1,827

Miss on estimates; Better placed to deliver in tough market conditions

Quick Pointers:

- Fuel cost to remain flat QoQ at US\$220/t in Q2; It would fall 16-23% QoQ in Q3 due to decline in pet coke prices over last couple of months
- On track to increase cement capacity by 32% to 49mnt by Q4FY24

Dalmiabharat Cement (DALBHARA) posted Q1FY23 earnings below our estimates due to miss on costs. EBITDA declined 18% YoY to Rs5.9bn, below our estimates by 11%. But, it beat consensus estimates (CE) by 9%.

DALBHARA's EBITDA/t averaged Rs950/t in the last four quarters. We expect that margins would remain capped in range of Rs1,050-1,100/t in medium term due to unabated capacity addition and intense competition for market share in its core markets, East and South regions. However, we see these margins as highly competitive (with 15%+ CAGR volume growth in FY22-FY24e) in light of tough market conditions. Supported by efficient operations, strong capacity growth and comfortable valuations, we continue to like DALBHARA. Maintain Accumulate rating with TP of Rs1,827, EV/EBITDA of 11x FY24e.

- Higher than expected energy and RM cost led the miss:** Aided by volumes from acquired plant of Murli in Maharashtra and weak base in South region, volumes grew 27.3% YoY at 6.2mnt (PLe:6.2mnt). Realisations increased 3.3% QoQ/Rs169 (+0.4% YoY/Rs20) to Rs5,304 (PLe:Rs5,280). Owing to 44%/25% (PLe:38%/6%) increase in power & fuel cost/RM cost, Cost increased 13.6% YoY to Rs4,363/t (PLe:Rs4,220). Led by steeper than expected increase in costs, EBITDA/t came below our estimates at Rs941 (PLe:Rs1,061), down 35%/9% YoY/QoQ. PAT declined 30%/26% YoY/QoQ to Rs2.0bn (PLe:Rs2.6bn, CE:Rs1.4bn).
- Key takeaways of earnings call:** **1)** Expanded clinker/cement capacity by 2mnt/1.1mnt during the quarter with capacity post expansion increased to 20.9mnt/37.0mnt **2)** On track to increase clinker/cement capacity by 13%/32% 23.7mnt/49.0mnt by end of FY24e **3)** Guided for capex of Rs30-35bn/Rs35-40bn in FY23e/FY24e; Spent Rs5.25bn on capex in Q1FY23 **4)** Coal cost increased 22% QoQ to US\$220/t in Q1FY23 **5)** On calorific basis, coal cost increased 19% QoQ to Rs2.47/1000 kcal **6)** Lead distance reduced marginally by 2% QoQ to 311kms **7)** Mix of volumes to trade segment increased by 300bps QoQ to 68% **8)** Blended cement's share increased 400bps QoQ to 82% **9)** Accrued/Received GST incentives of Rs580mn/Rs440mn in the quarter **10)** Expects to accrue incentives of Rs2.4bn for FY23 and FY24 each including Murli plant **11)** Incentive receivables stand at Rs6.8bn **12)** Gross debt declined 4% QoQ to Rs30.1bn; Net cash fell 87% QoQ to Rs1.9bn due to 29% fall in MTM value of 14.8% stake in IEX

Exhibit 1: Q1FY23 Result Overview (Rs mn)

Y/e March	Q1FY23	Q1FY22	YoY gr. (%)	Q4FY22	FY23E	FY22	YoY gr. (%)
Net Sales	33,020	25,910	27.4	33,800	1,44,492	1,12,330	28.6
Raw Material	4,200	2,650	58.5	4,320	23,943	14,720	62.7
<i>% of Net Sales</i>	<i>12.7</i>	<i>10.2</i>		<i>12.8</i>	<i>16.6</i>	<i>13.1</i>	
Staff Costs	1,980	1,830	8.2	1,790	8,239	7,440	10.7
<i>% of Net Sales</i>	<i>6.0</i>	<i>7.1</i>		<i>5.3</i>	<i>5.7</i>	<i>6.6</i>	
Power & Fuel	9,520	5,200	83.1	8,730	35,556	25,680	38.5
<i>% of Net Sales</i>	<i>28.8</i>	<i>20.1</i>		<i>25.8</i>	<i>24.6</i>	<i>22.9</i>	
Freight	6,080	4,450	36.6	6,500	28,031	23,700	18.3
<i>% of Net Sales</i>	<i>18.4</i>	<i>17.2</i>		<i>19.2</i>	<i>19.4</i>	<i>21.1</i>	
Other Expenses	5,380	4,650	15.7	5,630	20,983	17,170	22.2
<i>% of Net Sales</i>	<i>16.3</i>	<i>17.9</i>		<i>16.7</i>	<i>14.5</i>	<i>15.3</i>	
Total Expenditure	27,160	18,780	44.6	26,970	1,16,753	88,710	31.6
EBITDA	5,860	7,130	(17.8)	6,830	27,739	23,620	17.4
<i>Margin (%)</i>	<i>17.7</i>	<i>27.5</i>		<i>20.2</i>	<i>19.2</i>	<i>21.0</i>	
Depreciation	3,120	2,970	5.1	3,340	12,726	12,360	3.0
Other income	220	260	(15.4)	530	1,781	1,540	15.6
EBIT	2,960	4,420	(33.0)	4,020	16,794	12,800	31.2
Interest	440	560	(21.4)	460	2,784	1,960	42.0
PBT	2,520	3,860	(34.7)	3,560	14,009	10,840	29.2
Extraordinary income/(expense)	-	-		40	-	620	
PBT (After EO)	2,520	3,860	(34.7)	3,600	14,009	11,460	22.2
Tax	640	970	-	(2,390)	3,783	(150)	(2,621.7)
<i>% PBT</i>	<i>25.4</i>	<i>25.1</i>		<i>-66.4</i>	<i>27.0</i>	<i>-1.3</i>	
Reported PAT	1,880	2,890	(34.9)	5,990	10,227	11,610	(11.9)
Minority Interest	90	110	(18.2)	50	150	290	(48.3)
Share of profit in JV/Associates	170	20		-	300	40	
Net Profit Attributable to shareholders	1,960	2,800	(30.0)	5,940	10,377	11,360	(8.7)
Adjusted PAT	1,960	2,800	(30.0)	2,640	10,377	7,713	34.5

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March (Rs mn)	Q1FY23	Q1FY22	YoY gr. (%)	Q4FY22	FY23E	FY22	YoY gr. (%)
Volume (mn te) - Cement	6.2	4.9	27.3	6.6	26.7	22.2	20.2
Realisations (Rs/te) - Cement	5,304	5,284	0.4	5,135	5,206	5,069	2.7
Cement EBITDA (Rs/te)	941	1,458	(35.4)	1,040	1,039	1,063	(2.3)

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	1,05,220	1,17,192	1,44,492	1,56,993
YoY gr. (%)	8.8	11.4	23.3	8.7
Cost of Goods Sold	17,800	20,113	23,943	26,935
Gross Profit	87,420	97,078	1,20,549	1,30,058
Margin (%)	83.1	82.8	83.4	82.8
Employee Cost	7,130	7,700	8,239	8,734
Other Expenses	4,780	5,494	6,044	6,384
EBITDA	27,910	23,286	27,739	33,104
YoY gr. (%)	34.0	(16.6)	19.1	19.3
Margin (%)	26.5	19.9	19.2	21.1
Depreciation and Amortization	12,620	12,118	12,726	13,142
EBIT	15,290	11,168	15,013	19,963
Margin (%)	14.5	9.5	10.4	12.7
Net Interest	3,030	2,394	2,784	2,760
Other Income	1,820	1,647	1,781	1,857
Profit Before Tax	14,080	10,421	14,009	19,060
Margin (%)	13.4	8.9	9.7	12.1
Total Tax	1,650	2,814	3,783	5,146
Effective tax rate (%)	11.7	27.0	27.0	27.0
Profit after tax	12,430	7,608	10,227	13,914
Minority interest	120	140	150	150
Share Profit from Associate	-	-	300	300
Adjusted PAT	10,000	7,468	10,377	14,064
YoY gr. (%)	144.5	(25.3)	39.0	35.5
Margin (%)	9.5	6.4	7.2	9.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	12,310	7,468	10,377	14,064
YoY gr. (%)	449.6	(39.3)	39.0	35.5
Margin (%)	11.7	6.4	7.2	9.0
Other Comprehensive Income	10,950	-	-	-
Total Comprehensive Income	23,380	7,608	10,527	14,214
Equity Shares O/s (m)	188	188	188	188
EPS (Rs)	53.3	39.8	55.3	75.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	2,11,240	2,24,352	2,32,596	2,38,922
Tangibles	2,11,240	2,24,352	2,32,596	2,38,922
Intangibles	-	-	-	-
Acc: Dep / Amortization	73,870	85,988	98,714	1,11,855
Tangibles	73,870	85,988	98,714	1,11,855
Intangibles	-	-	-	-
Net fixed assets	1,37,370	1,38,365	1,33,882	1,27,066
Tangibles	1,37,370	1,38,365	1,33,882	1,27,066
Intangibles	-	-	-	-
Capital Work In Progress	11,870	16,447	38,757	67,315
Goodwill	-	-	-	-
Non-Current Investments	2,480	2,488	2,806	3,114
Net Deferred tax assets	(16,340)	(16,548)	(16,829)	(17,210)
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	13,064	14,194
Trade receivables	6,880	8,027	9,897	10,753
Cash & Bank Balance	3,110	8,438	3,988	(8,829)
Other Current Assets	4,080	5,160	5,660	5,660
Total Assets	2,18,100	2,32,680	2,51,264	2,62,484
Equity				
Equity Share Capital	370	370	370	370
Other Equity	1,25,890	1,32,358	1,40,860	1,52,861
Total Network	1,26,260	1,32,728	1,41,230	1,53,231
Non-Current Liabilities				
Long Term borrowings	38,570	44,599	49,329	45,579
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	13,855	15,054
Other current liabilities	22,390	22,707	25,261	26,751
Total Equity & Liabilities	2,18,100	2,32,680	2,51,264	2,62,484

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	14,080	10,421	14,009	19,060
Add. Depreciation	12,620	12,118	12,726	13,142
Add. Interest	3,190	2,394	2,784	2,760
Less Financial Other Income	1,820	1,647	1,781	1,857
Add. Other	(1,880)	(977)	(1,111)	(1,187)
Op. profit before WC changes	28,010	23,956	28,409	33,774
Net Changes-WC	7,520	(1,946)	15	444
Direct tax	430	(2,605)	(3,502)	(4,765)
Net cash from Op. activities	35,960	19,405	24,922	29,453
Capital expenditures	(11,070)	(17,689)	(30,554)	(34,884)
Interest / Dividend Income	1,230	977	1,111	1,187
Others	7,080	-	-	-
Net Cash from Invt. activities	(2,760)	(16,712)	(29,443)	(33,697)
Issue of share cap. / premium	(4,000)	-	-	-
Debt changes	(25,700)	6,029	4,730	(3,750)
Dividend paid	-	(999)	(1,875)	(2,063)
Interest paid	(3,960)	(2,394)	(2,784)	(2,760)
Others	-	-	-	-
Net cash from Fin. activities	(33,660)	2,636	71	(8,573)
Net change in cash	(460)	5,328	(4,450)	(12,817)
Free Cash Flow	25,500	1,716	(5,632)	(5,431)

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Net Revenue	25,280	27,340	33,800	33,020
YoY gr. (%)	9.3	(0.1)	7.3	27.4
Raw Material Expenses	3,340	4,410	4,320	4,200
Gross Profit	21,940	22,930	29,480	28,820
Margin (%)	86.8	83.9	87.2	87.3
EBITDA	5,570	4,090	6,830	5,860
YoY gr. (%)	(20.2)	(39.9)	(11.1)	(17.8)
Margin (%)	22.0	15.0	20.2	17.7
Depreciation / Depletion	3,030	3,020	3,340	3,120
EBIT	2,540	1,070	3,490	2,740
Margin (%)	10.0	3.9	10.3	8.3
Net Interest	500	440	460	440
Other Income	450	300	530	220
Profit before Tax	3,070	930	3,600	2,520
Margin (%)	12.1	3.4	10.7	7.6
Total Tax	930	340	(2,390)	640
Effective tax rate (%)	30.3	36.6	(66.4)	25.4
Profit after Tax	2,140	590	5,990	1,880
Minority interest	50	80	50	90
Share Profit from Associates	-	20	-	170
Adjusted PAT	1,742	530	1,968	1,381
YoY gr. (%)	(24.6)	(70.2)	(42.5)	(50.7)
Margin (%)	6.9	1.9	5.8	4.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,090	530	5,940	1,960
YoY gr. (%)	(9.5)	(70.2)	(6.9)	(30.0)
Margin (%)	8.3	1.9	17.6	5.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,090	530	5,940	1,960
Avg. Shares O/s (m)	188	188	188	188
EPS (Rs)	9.3	2.8	10.5	7.4

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	53.3	39.8	55.3	75.0
CEPS	120.6	104.4	123.2	145.1
BVPS	673.3	707.8	753.1	817.1
FCF	136.0	9.1	(30.0)	(29.0)
DPS	1.3	5.0	5.0	5.0
Return Ratio(%)				
RoCE	17.0	12.5	13.5	15.0
ROIC	10.4	6.3	7.5	8.5
RoE	18.7	12.5	13.3	14.4
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	30.3	40.6	29.2	21.6
P/B	2.4	2.3	2.1	2.0
P/CEPS	13.4	15.5	13.1	11.1
EV/EBITDA	11.0	13.2	11.4	9.8
EV/Sales	2.9	2.6	2.2	2.1
Dividend Yield (%)	0.1	0.3	0.3	0.3

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Volume (mn te)-Cement	21	22	27	30
Cement Realisations (Rs/te)	4,872	5,021	5,221	5,039
Cement EBITDA (Rs/te)	1,345	1,036	1,034	1,095
Raw material cost (Rs/te)	861	899	897	895
Power & Fuel cost (Rs/te)	809	1,112	1,332	1,112
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-Jul-22	Accumulate	1,755	1,453
2	11-May-22	Accumulate	1,755	1,422
3	08-Apr-22	Accumulate	1,806	1,593
4	31-Jan-22	Accumulate	2,130	1,785
5	10-Jan-22	Accumulate	2,280	1,990
6	16-Dec-21	Accumulate	2,290	1,886
7	28-Oct-21	Accumulate	2,290	1,991
8	06-Oct-21	Accumulate	2,370	2,074
9	06-Sep-21	Accumulate	2,300	2,229

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	Reduce	2,250	2,160
2	Ambuja Cement	Hold	385	371
3	Coal India	Accumulate	220	190
4	Dalmia Bharat	Accumulate	1,755	1,453
5	Heidelberg Cement India	Reduce	183	181
6	Hindalco Industries	Accumulate	545	358
7	Hindustan Zinc	Reduce	283	263
8	Jindal Steel & Power	Reduce	360	346
9	JK Lakshmi Cement	Accumulate	555	437
10	JSW Steel	Reduce	560	582
11	NMDC	Reduce	120	109
12	Shree Cement	Hold	22,080	20,415
13	Steel Authority of India	Reduce	55	72
14	Tata Steel	Reduce	975	950
15	The Ramco Cements	Reduce	700	752
16	Ultratech Cement	Accumulate	7,180	6,459

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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