

Dalmia Bharat

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In-line performance; timely project execution is key

Dalmia Bharat's Q3FY23 EBITDA increased by 58% YoY/70% QoQ to Rs6.4bn, broadly in line with our estimates. EBITDA/ton increased 43% YoY/56% QoQ to Rs1,022. Management reiterated its guidance to expand its cement capacity to 49mt/75mt by FY24/FY27, respectively vs current capacity of 37mt. The company has signed a definitive agreement for acquisition of cement assets (clinker: 3.3mt; cement: 5.2mt. and TPP: 280MW) of Jaiprakash Associates at an Enterprise Value of Rs32bn, subject to certain conditions. We have yet to build these into our estimates. We broadly maintain FY24E-25E EBITDA and revise the Mar-24E target price to Rs1,750/share (vs Rs1,600 earlier), post the half-yearly roll-over. Our DCF-based TP implies one-year forward EV/EBITDA of 9x. In the absence of near-term catalysts, we maintain a HOLD rating on the stock.

Results Summary: Dalmia's consolidated volumes rose 11% YoY/9% QoQ to 6.3mt, while cement realization/ton increased by ~4% QoQ to Rs5,325 – both broadly in line with our estimates. Dalmia's total cost/ton increased 6% YoY/declined ~4% QoQ to Rs4,303. Gross debt increased by Rs7.6bn QoQ to Rs40.5bn, while cash & cash equivalents increased by Rs5.2bn QoQ to Rs31.5bn in Q3FY23 (MTM value of the IEX investment stood at Rs18.6bn as of Dec-22 vs Rs18.9bn as of Sep-22). Consequently, net debt increased by Rs2.5bn QoQ to Rs9bn.

What we liked: Industry-leading cost structure; aggressive capacity-addition targets.

What we did not like: Increase in net debt.

Earnings-call KTAs: 1) Management has maintained its long-term capacity guidance at 110-130mt by FY31 (12-13% CAGR). It has also guided for an interim target of 70-75mt (18-20% CAGR) capacity by FY27, and is on track to achieve 49mt capacity by FY24. 2) Capex guidance is maintained at Rs30bn-32bn for FY23. Company capex-spend stood at Rs9bn/Rs21bn in Q3/9MFY23. The company is likely to maintain its net debt-to-EBITDA below 2x, despite its aggressive capex plan. 3) Cement prices were flat in Jan-23 and are in line with the average price of Q3. 4) Average fuel consumption stood at US\$185 in Q3 (vs US\$215 in Q2) and is expected to hover around US\$180 in Q4FY23. Fuel cost stood at Rs2.4/kcal in Q3 vs Rs2.52/kcal in Q2. The freight-cost increase is led by an imposition of busy-season surcharge by the Railways. 5) Company remains focused on ESG and cost efficiencies and, thus, plans increasing its renewable power share to 35% by FY25 from 24% at present. 6) Capacity utilization stood at 55% for Murli Industries, in Jan-23. Its cost/ton is currently higher than the company-average and is expected to stand on par with company level within 9-12 months. 7) Dalmia has signed a definitive agreement for acquisition of JPA assets located in Central India, subject to certain conditions (3.3mt clinker; 5.2mt cement; 280MW TPP). Management expects the transaction to close within a few months. There is not much capex required to start operations at the JPA plant, as per Management. 7) Fuel mix stood at 70% petcoke (largely imported) and 16% coal, with the balance being a combination of lignite, AFR, etc. 9) Premium product share increased by 200bps QoQ to 22%, whereas trade mix declined by 400bps QoQ to 60%. Lead distance stood broadly flat QoQ, at 310km.

Financial Snapshot (Consolidated)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	1,05,220	1,12,860	1,33,127	1,49,618	1,70,912
EBITDA	27,830	24,260	23,935	31,417	37,779
EBITDA Margin (%)	26.4	21.5	18.0	21.0	22.1
APAT	8,640	7,630	7,409	12,164	16,482
EPS (Rs)	46.2	40.8	39.6	65.0	88.1
EPS (% chg)	302.0	(11.7)	(2.9)	64.2	35.5
ROE (%)	7.5	5.4	4.7	7.4	9.4
P/E (x)	40.5	45.8	47.2	28.7	21.2
EV/EBITDA (x)	12.9	13.8	14.7	11.4	9.4
P/BV (x)	2.8	2.2	2.2	2.1	1.9

Source: Company, Emkay Research

CMP	Target Price
Rs 1,868 as of (February 6, 2023)	Rs 1,750 (▲) 12 months
Rating	Upside
HOLD (■)	(6.3) %

Change in Estimates

EPS Chg FY23E/FY24E (%)	5/(3)
Target Price change (%)	9.4
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

	EPS Estimates	
	FY23E	FY24E
Emkay	39.6	65.0
Consensus	42.5	62.2
Mean Consensus TP (12M)	Rs 2,003	

Stock Details

Bloomberg Code	DALBHARA IN
Face Value (Rs)	2
Shares outstanding (mn)	187
52 Week H/L	2,015 / 1,213
M Cap (Rs bn/USD bn)	350 / 4.28
Daily Avg Volume (nos.)	3,09,674
Daily Avg Turnover (USD mn)	6.8

Shareholding Pattern Dec '22

Promoters	55.9%
FIIIs	12.4%
DIIIs	8.1%
Public and Others	23.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	-	13	21	(4)
Rel. to Nifty	2	14	18	(5)

Relative price trend



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Quarterly Analysis

Exhibit 1: Actual vs. Estimates (Q3FY23)

(Rs mn)	Actual	Estimates		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Sales	33,550	34,538	33,517	(2.9)	0.1	In-line
EBITDA	6,440	6,313	5,746	2.0	12.1	Broadly in-line
Adj PAT	2,000	1,971	1,589	1.5	25.9	Broadly in-line
Volume (mt)	6.3	6.4		(2.2)		
Cement Realization (Rs/ton)	5,325	5,362		(0.7)		
EBITDA (Rs/ton)	1,022	980		4.3		

Source: Bloomberg, Emkay Research

Exhibit 2: Quarterly financial highlights (Consolidated)

(Rs mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY (%)	QoQ (%)	9MFY22	9MFY23	YoY (%)
Revenue	27,340	33,800	33,020	29,710	33,550	22.7	12.9	79,060	96,280	21.8
Expenditure	23,220	26,970	27,160	25,920	27,110	16.6	4.6	61,630	80,190	30.1
Total RM	4,410	4,320	4,200	4,410	3,700	(16.1)	(16.1)	10,400	12,310	18.4
Power & Fuel	6,680	8,730	9,520	8,920	9,640	43.9	8.1	16,970	28,080	65.5
Freight	5,940	7,410	6,820	5,960	7,020	18.2	17.8	16,140	19,800	22.7
Staff cost	1,840	1,790	1,980	1,890	1,930	4.9	2.1	5,650	5,800	2.7
Other expenditure	4,350	4,720	4,640	4,740	4,820	10.6	1.7	12,470	14,200	13.9
EBITDA	4,120	6,830	5,860	3,790	6,440	57.5	69.9	17,430	16,090	(7.7)
Depreciation	3,020	3,340	3,120	3,320	3,250	7.6	(2.1)	9,020	9,690	7.4
EBIT	1,100	3,490	2,740	470	3,190	198.1	578.7	8,410	6,400	(23.9)
Other Income	300	530	220	380	350	12.9	(7.9)	1,020	950	(6.9)
Interest	440	460	440	560	680	51.1	21.4	1,510	1,680	11.3
PBT	960	3,560	2,520	290	2,860	207.5	886.2	7,920	5,670	(28.4)
Total Tax	200	1,500	640	(210)	740	111.4	NA	2,240	1,170	(47.8)
Adjusted PAT	760	2,060	1,880	500	2,120	265.5	324.0	5,680	4,500	(20.8)
(Profit)/loss from JV's/Ass/MI	80	50	(80)	(50)	120	100.0	NA	190	(10)	NA
PAT after MI	680	2,010	1,960	550	2,000	284.6	263.6	5,490	4,510	(17.9)
Extra ordinary items	300	3,940	-	-	-	NA	NA	(60)	-	NA
Reported PAT	980	5,950	1,960	550	2,000	284.6	263.6	5,430	4,510	(16.9)
Adjusted EPS (Rs)	3.6	10.7	10.5	2.9	10.7	284.6	263.6	29.3	24.1	(17.9)

Source: Company, Emkay Research

(%)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY (bps)	QoQ (bps)	9MFY22	9MFY23	YoY (bps)
EBITDA margin	15.1	20.2	17.7	12.8	19.2	424	644	22.0	16.7	(533)
EBIT margin	4.0	10.3	8.3	1.6	9.5	559	793	10.6	6.6	(399)
EBT margin	3.5	10.5	7.6	1.0	8.5	512	755	10.0	5.9	(413)
PAT margin	2.8	6.1	5.7	1.7	6.3	420	464	7.2	4.7	(251)
Effective Tax rate	20.8	42.1	25.4	(72.4)	25.9			28.3	20.6	

Source: Company, Emkay Research

Exhibit 3: Quarterly analysis on per-ton basis

(Rs/ton)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY (%)	QoQ (%)	H1FY22	H1FY23	YoY (%)
Volumes (mt)	5.7	6.6	6.2	5.8	6.3	10.5	8.8	15.7	18.3	16.7
Blended Realization	4,796	5,121	5,300	5,131	5,325	11.0	3.8	5,036	5,255	4.4
Raw Material	774	655	674	762	587	(24.1)	(22.9)	662	672	1.4
Power & Fuel	1,172	1,323	1,528	1,541	1,530	30.2	(0.7)	1,081	1,533	41.8
Freight	1,042	1,123	1,095	1,029	1,114	6.9	8.3	1,028	1,081	5.1
Staff cost	323	271	318	326	306	(5.1)	(6.2)	360	317	(12.0)
Other expenditure	763	715	745	819	765	0.0	(6.5)	794	775	(2.4)
Operating cost	4,074	4,086	4,360	4,477	4,303	5.5	(3.9)	3,925	4,377	11.5
EBITDA/ton	723	1,035	941	655	1,022	42.5	56.2	1,110	878	(20.9)

Source: Company, Emkay Research

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Exhibit 4: We have broadly maintained our EBITDA estimates

Y/E Mar (Rs mn)	FY23E			FY24E			FY25E		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
Revenue	1,30,720	1,33,127	1.8	1,47,953	1,49,618	1.1	1,69,373	1,70,912	0.9
EBITDA	23,362	23,935	2.5	31,757	31,417	(1.1)	38,166	37,779	(1.0)
PAT	7,077	7,409	4.7	12,542	12,164	(3.0)	16,875	16,482	(2.3)

Source: Emkay Research

Exhibit 5: We maintain HOLD with TP of Rs1,750/share, based on Mar'25E EV/EBITDA

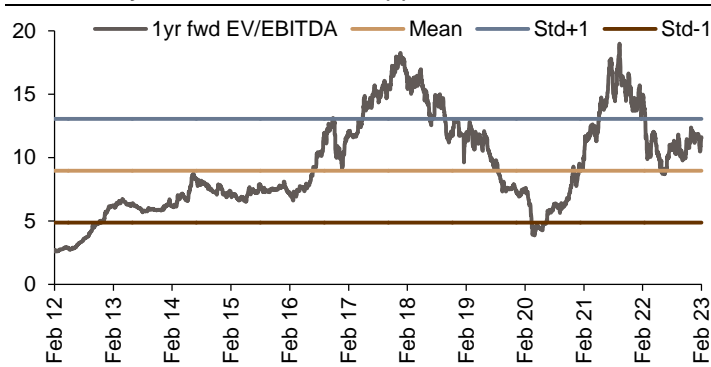
EV/E method, backed by DCF analysis	(Rs bn)
Mar-25E EBITDA	38
Implied EV/E (x)	9
EV	334
Net debt (Mar-24E)	6
Equity value	328
No. of shares (mn)	187
Mar-24 Target Price (Rs/share)	1,750

Source: Emkay Research

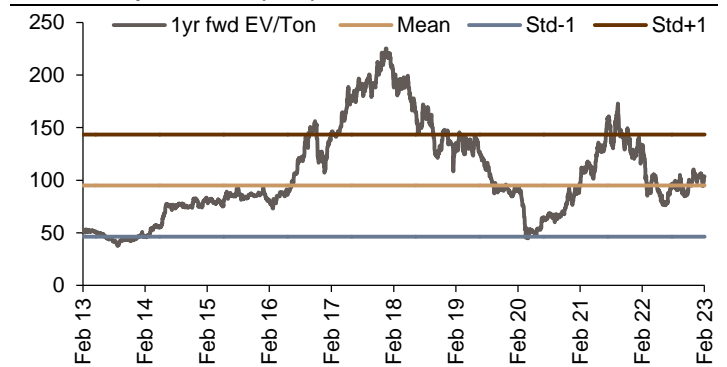
Exhibit 6: Annual analysis on a per ton basis

(Rs/ton)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Blended realization	5,056	5,047	4,967	5,088	5,061	5,283	5,349	5,480
% YoY	4.6	(0.2)	(1.6)	2.4	(0.5)	4.4	1.2	2.5
Raw materials consumed	897	956	857	861	660	672	682	692
Power & fuel costs	828	940	901	809	1,152	1,495	1,389	1,421
Freight costs	952	979	982	1,009	1,056	1,089	1,097	1,118
Staff cost	359	347	350	345	334	308	294	279
Other expenses	830	810	785	719	771	769	764	759
Operating Cost	3,866	4,032	3,875	3,742	3,973	4,333	4,226	4,269
% YoY	7.5	4.3	(3.9)	(3.4)	6.2	9.1	(2.5)	1.0
Blended EBITDA	1,189	1,016	1,092	1,346	1,088	950	1,123	1,211
% YoY	(3.9)	(14.6)	7.5	23.3	(19.2)	(12.7)	18.2	7.8

Source: Company, Emkay Research

Exhibit 7: 1-year forward EV/EBITDA (x)

Source: Bloomberg, Emkay Research

Exhibit 8: 1-year EV/ton (USD)

Source: Bloomberg, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	1,05,220	1,12,860	1,33,127	1,49,618	1,70,912
Expenditure	77,390	88,600	1,09,192	1,18,202	1,33,133
EBITDA	27,830	24,260	23,935	31,417	37,779
Depreciation	12,620	12,360	12,947	13,355	14,071
EBIT	15,210	11,900	10,989	18,062	23,708
Other Income	1,820	1,550	1,321	1,361	1,429
Interest expenses	2,950	1,970	2,374	2,774	2,672
PBT	14,080	11,480	9,936	16,648	22,465
Tax	5,320	3,610	2,237	4,212	5,684
Extraordinary Items	3,670	3,570	0	0	0
Minority Int./Income from Assoc.	(120)	(240)	(291)	(272)	(299)
Reported Net Income	12,310	11,200	7,409	12,164	16,482
Adjusted PAT	8,640	7,630	7,409	12,164	16,482

Balance Sheet

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	374	374	374	374	374
Reserves & surplus	1,25,886	1,56,496	1,58,141	1,68,480	1,82,490
Net worth	1,26,260	1,56,870	1,58,515	1,68,854	1,82,864
Minority Interest	370	720	720	720	720
Loan Funds	45,390	31,400	44,400	44,400	39,400
Net deferred tax liability	16,340	20,340	19,596	19,596	19,596
Total Liabilities	1,88,360	2,09,330	2,23,231	2,33,570	2,42,579
Net block	1,39,620	1,41,740	1,42,794	1,50,939	1,69,098
Investment	34,140	57,040	52,388	47,388	47,388
Current Assets	34,960	39,570	39,645	41,788	43,229
Cash & bank balance	3,110	1,600	3,379	2,823	974
Other Current Assets	4,080	4,940	4,940	4,940	4,940
Current liabilities & Provision	29,740	39,380	35,956	38,404	42,494
Net current assets	5,220	190	3,690	3,384	734
Misc. exp	0	0	0	0	0
Total Assets	1,88,360	2,09,330	2,23,231	2,33,570	2,42,579

Cash Flow

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT (Ex-Other income) (NI+Dep)	14,080	13,260	8,324	15,015	20,737
Other Non-Cash items	(1,880)	350	(744)	0	0
Chg in working cap	7,520	(5,150)	(1,721)	(250)	800
Operating Cashflow	35,960	21,070	18,943	26,683	32,596
Capital expenditure	(13,400)	(17,560)	(28,000)	(29,000)	(25,730)
Free Cash Flow	22,560	3,510	(9,057)	(2,317)	6,866
Investments	6,470	6,330	4,653	5,000	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(5,700)	(10,480)	(22,027)	(22,639)	(24,301)
Equity Capital Raised	(4,000)	50	(4,653)	0	0
Loans Taken / (Repaid)	(22,310)	(5,800)	13,000	0	(5,000)
Dividend paid (incl tax)	0	(1,000)	(1,111)	(1,825)	(2,472)
Other Financing Cash Flow	(460)	(2,680)	0	0	0
Financing Cashflow	(31,180)	(12,100)	4,863	(4,599)	(10,144)
Net chg in cash	(920)	(1,510)	1,779	(556)	(1,850)
Opening cash position	4,030	3,110	1,600	3,379	2,823
Closing cash position	3,110	1,600	3,379	2,823	974

Source: Company, Emkay Research

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Key Ratios

Profitability (%)	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin	26.4	21.5	18.0	21.0	22.1
EBIT Margin	14.5	10.5	8.3	12.1	13.9
Effective Tax Rate	37.8	31.4	22.5	25.3	25.3
Net Margin	8.3	7.0	5.8	8.3	9.8
ROCE	9.3	6.8	5.7	8.5	10.6
ROE	7.5	5.4	4.7	7.4	9.4
RoIC	7.0	5.8	6.0	9.2	11.1

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	46.2	40.8	39.6	65.0	88.1
CEPS	113.6	106.8	108.8	136.4	163.3
BVPS	674.8	838.3	847.1	902.4	977.3
DPS	1.3	9.0	5.9	9.8	13.2

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	40.5	45.8	47.2	28.7	21.2
P/CEPS	16.4	17.5	17.2	13.7	11.4
P/BV	2.8	2.2	2.2	2.1	1.9
EV / Sales	3.4	3.0	2.6	2.4	2.1
EV / EBITDA	12.9	13.8	14.7	11.4	9.4
Dividend Yield (%)	0.1	0.5	0.3	0.5	0.7

Gearing Ratio (x)	FY21	FY22	FY23E	FY24E	FY25E
Net Debt/ Equity	0.1	(0.1)	0.0	0.0	0.0
Net Debt/EBIDTA	0.3	(0.6)	0.1	0.2	0.1
Working Cap Cycle (days)	7.3	(4.6)	0.9	1.4	(0.5)

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	9.8	7.3	18.0	12.4	14.2
EBITDA	32.1	(12.8)	(1.3)	31.3	20.3
EBIT	163.1	(21.8)	(7.7)	64.4	31.3
PAT	449.6	(9.0)	(33.9)	64.2	35.5

Quarterly (Rs mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Revenue	27,340	33,800	33,020	29,710	33,550
EBITDA	4,090	6,830	5,860	3,790	6,440
EBITDA Margin (%)	15.0	20.2	17.7	12.8	19.2
PAT	520	2,010	1,960	550	2,000
EPS (Rs)	2.8	10.7	10.5	2.9	10.7

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Promoters	56.0	55.9	55.9	55.9	55.9
FII	13.5	12.6	12.6	12.3	12.4
DII	6.5	7.1	7.3	8.2	8.1
Public and Others	24.1	24.4	24.3	23.6	23.6

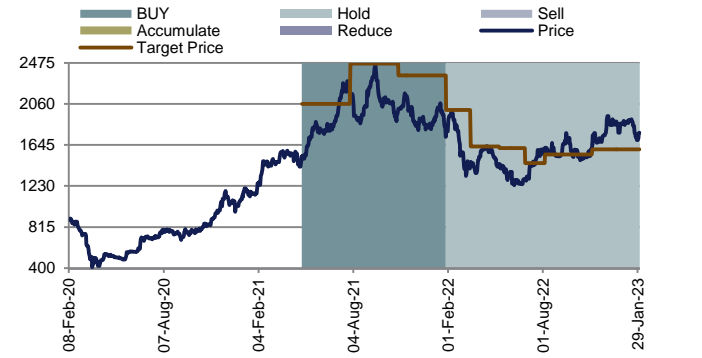
Source: Capitaline

RECOMMENDATION HISTORY (Rs/share)

Date	Closing Price	TP	Period	Rating	Analyst
29-Dec-22	1,855	1,600	12m	Hold	Dharmesh Shah
12-Dec-22	1,906	1,600	12m	Hold	Dharmesh Shah
05-Dec-22	1,886	1,600	12m	Hold	Dharmesh Shah
05-Nov-22	1,743	1,600	12m	Hold	Dharmesh Shah
03-Nov-22	1,654	1,600	12m	Hold	Dharmesh Shah
04-Oct-22	1,596	1,550	12m	Hold	Dharmesh Shah
04-Sep-22	1,535	1,550	12m	Hold	Dharmesh Shah
05-Aug-22	1,616	1,550	12m	Hold	Dharmesh Shah
04-Jul-22	1,318	1,460	12m	Hold	Dharmesh Shah
28-Jun-22	1,302	1,460	12m	Hold	Dharmesh Shah
10-May-22	1,422	1,615	12m	Hold	Dharmesh Shah
16-Mar-22	1,474	1,630	12m	Hold	Dharmesh Shah
28-Jan-22	1,785	2,000	12m	Hold	Dharmesh Shah
31-Dec-21	1,848	2,350	12m	Buy	Dharmesh Shah
02-Dec-21	1,848	2,350	12m	Buy	Dharmesh Shah
29-Oct-21	2,012	2,350	12m	Buy	Dharmesh Shah
05-Sep-21	2,229	2,470	12m	Buy	Dharmesh Shah
29-Jul-21	2,135	2,470	12m	Buy	Dharmesh Shah
06-Jun-21	1,791	2,060	12m	Buy	Dharmesh Shah
01-May-21	1,506	2,060	12m	Buy	Dharmesh Shah
28-Apr-21	1,510	2,060	12m	Buy	Dharmesh Shah

Source: Company, Emkay Research

RECOMMENDATION HISTORY (Rs/share)



Source: Bloomberg, Company, Emkay Research

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 07 Feb 2023 01:22:51 (SGT)

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