February 6, 2023

RESULT REPORT Q3 FY23 | Sector: Cement

Dalmia Bharat

Revenue as anticipated; EBITDA/te rebound to Rs1022 as cost came lower-than-expected

Result Synopsis

Dalmia Bharat (DALBHARA) reported best in industry numbers with an EBITDA/te of Rs1022 (YSEC est. Rs855) up by +43% y/y (+56% q/q). This performance was largely driven by strong NSR growth of +11% y/y (+4% q/q), while total operating cost increased by +5% y/y (-4% q/q). Revenue came in-line with YSECe of Rs33.5bn on account of expected volume & NSR growth of +11% y/y each. While EBITDA/Adj. PAT beats YSECe by 20/63% to Rs6.4/2.1bn, registered a growth of +56% & +147% y/y (+70% & +357% q/q) translates EBITDA/PAT margins to 19.2% and 6.3%, respectively.

Management indicated that the ongoing expansion is progressing as per schedule and will take the total capacity to 49MTPA by FY24E (excl. JAL acquisition) v/s 37MTPA in Q3FY23. With long term positive demand outlook and incremental capacities, we believe DALBHARA to clock a volume growth of +11/15/11% y/y for FY23/24/25E. Company signed definitive agreement for acquiring the JP Associate's cement assets (5.2MTPAcement & 3.2MTPA clinker) at an EV of Rs32.3bn which is a part of interim expansion plan to achieve ~75MTPA by FY27E, while ~21MTPA is yet to be announced. Additionally, DALBHARA committed towards its PAN India aspiration with110-130MTPA by FY31E. We believe the sustenance of cement prices & demand especially in east/south market will be vital for DALBHARA to offset the cost pressures, while huge capacity addition in the East will keep prices under check. We continue to like DALBHARA: 1) Stronghold in East/South key markets 2) Ventured in west and seeking entry in central 3) Strong Infra push in the East/South by govt. 4) Incremental volumes from new added capacities 4) Cost optimization measures (planned green power capacity to 328MW) set to improve the efficiency. We rolled forward the estimate to FY25 and arrived at TP of Rs2,723, valuing the stock at 15x EV/EBITDA on FY25E.

Result Highlights

- Volume & NSR came in-line with our estimate of 6.3MT (+11% y/y and +9% q/q) & Rs5325/te (+11% y/y and +4% q/q) delivered as expected revenue of Rs33.55bn, registered a growth of +23% y/y and +13% q/q in Q3FY23
- Total cost/te came 4% lower-than-expected to Rs4.3bn up by +5% y/y (-4% q/q), beat our EBITDA estimate by 20% to Rs1022/te up by 42% y/y and 56% q/q
- EBITDA margins improved by 424bps y/y to 19.2% (v/s 16% YSECe) in Q3FY23 as compared to 12.8% in Q2FY23
- EBITDA/Adj. PAT came at Rs6.4/2.1bn (+20/63% above YSECe) increased by +56% & +147% y/y (+70% & +357% q/q) respectively
- Signed definitive agreement for acquiring the JP Associates cement assets at an EV of Rs32.3bn (includes Cement 5.2MTPA, Clinker of 3.3MTPA and Thermal Power capacity of 280MW in which 180MW in a SPV with stake of 57%)

Exhibit 1: Actual vs estimates

Rs Mn	Actual	Estimate		% Variation		Remarks
		YSec	Consensus	YSec	Consensus	
Sales	33,550	33,548	33,517	0.0	0.1	Comparatively lower cost with inline topline resulted in performance beat
EBITDA	6,440	5,374	5,746	19.8	12.1	
Margin (%)	19.2	16.0	17.1	318 bps	205 bps	
Adj. PAT	2,120	1,285	1,589	64.9	33.4	

Source: Company, YES Sec

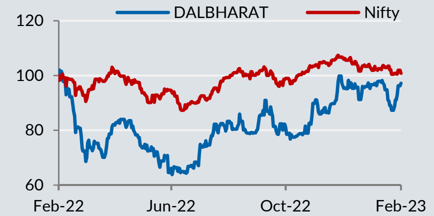
YES SECURITIES
INSTITUTIONAL EQUITIES

Reco	:	**BUY**
CMP	:	Rs 1,885
Target Price	:	Rs 2,723
Potential Return	:	+44%

Stock data (as on Feb 6, 2023)

Nifty	17,764
52 Week h/l (Rs)	2015 / 1213
Market cap (Rs/USD mn)	350184 / 4282
Outstanding Shares (mn)	187
6m Avg t/o (Rs mn):	444
Div yield (%):	0.5
Bloomberg code:	DALBHARA IN
NSE code:	DALBHARAT

Stock performance



	1M	3M	1Y
Absolute return	0.5%	8.2%	-2.8%

Shareholding pattern (As of Dec'22 end)

Promoter	55.9%
FII+DII	20.7%
Others	23.4%

∆ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	2723	2394

Financial Summary

(Rs mn)	FY23E	FY24E	FY25E
Revenue	129,152	148,481	162,803
Growth	14.4	15.0	9.6
EBITDA	23,044	32,201	38,679
Margin	17.8	21.7	23.8
Adj PAT	7,684	11,746	11,972
Growth	(34.5)	52.9	1.9
EPS	41.5	63.5	64.7
ND/EBITDA	1.6	2.3	2.0
ROE	4.7	6.7	6.4
ROCE	5.9	7.6	7.8
EV/EBITDA	16.6	13.0	10.9

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Exhibit 2: Quarterly snapshot (Console)

Particulars (Rs m)	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	y/y (%)	q/q (%)	FY22	FY21	y/y (%)
Net Revenue	27,340	33,800	33,020	29,710	33,550	22.7	12.9	112,860	101,100	11.6
Total Expenses	23,250	26,970	27,160	25,920	27,110	16.6	4.6	88,600	73,480	20.6
COGS	4,410	4,320	4,200	4,410	3,700	(16.1)	(16.1)	14,720	15,430	(4.6)
Employee Expenses	1,840	1,790	1,980	1,890	1,930	4.9	2.1	7,440	6,590	12.9
Power & fuel	6,700	8,730	9,520	8,920	9,640	43.9	8.1	25,700	16,590	54.9
Freight Exp	5,940	7,410	6,820	5,960	7,020	18.2	17.8	23,550	20,730	13.6
Other Expenses	4,360	4,720	4,640	4,740	4,820	10.6	1.7	17,190	14,140	21.6
EBITDA	4,090	6,830	5,860	3,790	6,440	57.5	69.9	24,260	27,620	(12.2)
EBITDA (%)	15.0	20.2	17.7	12.8	19.2	424 bps	644 bps	21.5	27.3	(582 bps)
D&A	3,020	3,340	3,120	3,320	3,250	7.6	(2.1)	12,360	12,500	(1.1)
Other Income	300	530	220	380	350	16.7	(7.9)	1,550	1,810	(14.4)
Interest Expense	440	460	440	560	680	54.5	21.4	1,970	2,950	(33.2)
Exceptional/EO items	-	(40)	-	-	-	-	-	20	340	(94.1)
Share JV/Associates	340	10	170	(30)	-	N/A	N/A	50	(10)	(600.0)
EBT	1,270	3,610	2,690	260	2,860	125.2	1,000.0	11,460	13,640	(16.0)
Tax	340	(2,390)	640	(210)	740	117.6	N/A	(140)	1,780	(107.9)
Reported PAT	930	6,000	2,050	470	2,120	128.0	351.1	11,730	11,830	(0.8)
Less: Minority Interest	80	40	90	10	20	(75.0)	100.0	290	120	141.7
Adj. PAT	850	5,920	1,960	460	2,100	147.1	356.5	11,460	12,050	(4.9)

Source: Company, YES Sec

Exhibit 3: Quarterly Operational Performance Analysis (Console)

Particulars (Rs m)	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	y/y (%)	q/q (%)	FY22	FY21	y/y (%)
Total Volumes (MMT)	5.7	6.6	6.2	5.8	6.3	10.5	8.6	22.2	20.7	7.2
NSR/te (Blended)	4,796	5,121	5,326	5,122	5,325	11.0	4.0	5,084	4,884	4.1
RM/te	774	655	677	760	587	(24.1)	(22.8)	663	745	(11.0)
Employees/te	323	271	319	326	306	(5.1)	(6.0)	335	318	5.3
Power/te	1,175	1,323	1,535	1,538	1,530	30.2	(0.5)	1,158	801	44.4
Freight/te	1,042	1,123	1,100	1,028	1,114	6.9	8.4	1,061	1,001	5.9
Others/te	765	715	748	817	765	0.0	(6.4)	774	683	13.4
Opex/te (Blended)	4,079	4,086	4,381	4,469	4,303	5.5	(3.7)	3,991	3,550	12.4
EBITDA/te (Blended)	718	1,035	945	653	1,022	42.5	56.4	1,093	1,334	(18.1)

Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

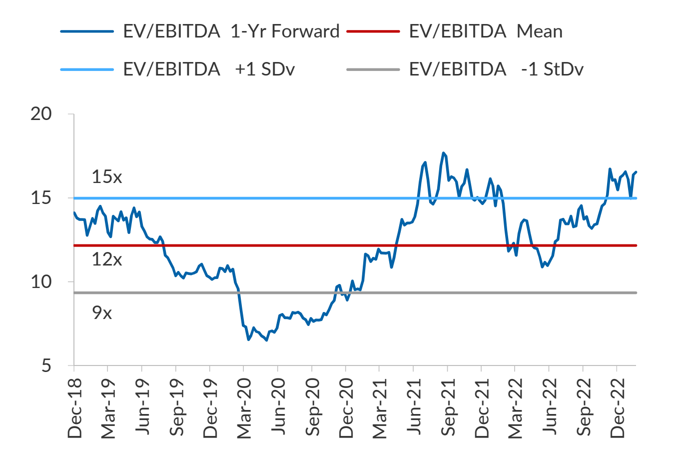
- Management is positive on long-term cement demand aided by infra thrust by govt. and private investment. Also, increasing demand would improve the utilization level steadily despite the upcoming capacities. And hence management is committed to achieve its short-term goal of 75 MTPA by FY27E and 110-130MTPA by FY31E.
- In Q3FY23, the demand growth was healthy across the operating markets resulting in strong NSR for the company.
- Fuel cost seen some respite in Q3FY23, declined from Rs2.52 kcal/kg in Q2FY23 to Rs2.42 kcal/kg and going forward management guided it to decline or at similar levels
- Management indicated that the overall Northeast demand to increase steadily owing to infra push by govt and healthy housing demand coupled with increasing private investment.
- Trade sales stood at 60% in Q3FY23 v/s 64% in Q2FY23. Blended cement contributed 83.1% in Q3FY23 v/s 82.8% in Q2FY23.
- DALBHARA continuously increased its blended cement presence in the southern market (OPC market) at ~60% in Q3FY23 v/s ~53% in Q2FY23 while focusing it to reach 100%.
- Cement prices for DALBHARA remain flat in Jan'23 v/s Dec'22 exit. And even in Feb'23 cement prices continued to remain at similar levels. Management indicated that the healthy pricing with cost moderating would further improve the EBITDA/te for the company.
- Company's fuel mix was 70% pet coke and 16% domestic coal, while rest mix of AFR/lignite/others for Q3FY23.
- Murli asset's utilization level is improving steadily to and in Jan'23 was +50%. Whereas margins are expected to improve going forward with the better realization and improving operating leverage.
- DALBHARA signed a definitive agreement for acquisition of Jaiprakash Associates cement assets at an EV of Rs32.3bn. (includes Cement 5.2MTPA, Clinker of 3.3MTPA and Thermal Power capacity of 280MW in which 180MW in a SPV with stake of 57% to be held by DCBL). Acquired assets are located strategically in Central India which will provide entry to the company in new markets.
- 9MFY23 CAPEX was at Rs21bn (9bn in Q3FY23), while management maintained its Rs30-35bn CAPEX guidance for FY24/25E each (finalizing of JP associates cement assets acquisition will need additional Rs32.3bn in FY24E over Rs30-35bn)
- Net Debt/EBITDA (including IEX investment as current investments) increased to 0.39x v/s 0.32x due to CAPEX spends whereas guided to maintain the Net Debt/EBITDA below 2x through the expansion aspiration of 110MTPA
- In Q3FY23, DALBHARA added 25MW of WHRS taking total renewable power capacity to 154MW. Currently the renewable power contribution to total power requirement stands at 24% and is targeted to reach at 36% by FY25E
- DALBHARA's ongoing expansion would take renewable capacity to 173MW by FY23 while it further planned to increase renewable capacity by 155MW (107MW solar & 48MW WHRS) taking total capacity to 328MW by FY24E
- DALBHARA also focused on building robust fuel & limestone security for which the company had acquired coal blocks and limestone reserves and looked forward to acquiring more. Also, management looking for land parcels in the central region (UP/MP both) to utilize their Satna, MP limestone reserve

Exhibit 4: Annual Operational Performance Estimates (Console)

Particulars (Rs m)	FY21	FY22	FY23E	FY24E	FY25E
Total Volumes (MMT)	20.7	22.2	24.5	28.2	31.2
Utilization (%)	67%	62%	61%	57%	64%
Cement Realization/te	4,812	4,956	5,144	5,169	5,117
Net Realization/te (Blended)	4,884	5,084	5,265	5,275	5,213
RM/te	745	663	837	891	897
Power/te	801	1,158	1,300	1,067	878
Freight/te	1,001	1,061	1,122	1,100	1,133
Employees/te	318	335	334	320	317
Others/te	683	774	733	753	750
Opex/te (Blended)	3,550	3,991	4,326	4,131	3,974
EBITDA/te (Blended)	1,334	1,093	939	1,144	1,238

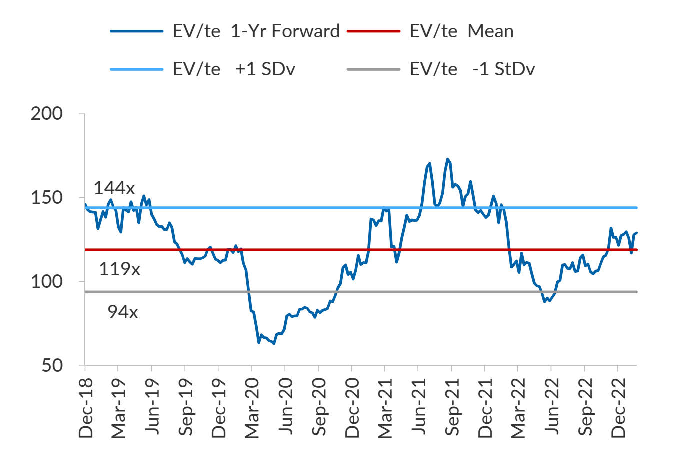
Source: Company, YES Sec

Exhibit 5: 1-yr forward EV/EBITDA band



Source: Company, YES Sec

Exhibit 6: 1-yr forward EV/te ($) band



Source: Company, YES Sec

FINANCIALS

Exhibit 7: Balance Sheet (Console)

Y/e 31 Mar (Rs m)	FY21	FY22	FY23E	FY24E	FY25E
Equity capital	370	370	370	370	370
Reserves	127,730	156,500	163,444	174,449	185,681
Net worth	**128,100**	**156,870**	**163,814**	**174,819**	**186,051**
Other LT Liabilities	2,950	2,020	2,020	2,020	2,020
LT provision.	1,760	1,780	1,780	1,780	1,780
Minority interest	340	720	720	720	720
Long-term Borrowing	20,890	19,220	25,220	57,220	55,220
Deferred tax liabilities. (net)	18,150	20,340	20,340	20,340	20,340
Current Liabilities					
Trades Payables	8,990	8,500	9,859	11,380	11,963
Short-term Borrowing	16,190	11,970	12,250	17,921	23,091
Other current liabilities	22,120	26,410	26,410	26,410	26,410
Short Term Provision	930	880	880	880	880
Total Liabilities	**220,420**	**248,710**	**263,293**	**313,491**	**328,475**
Assets					
Total Net Block	134,410	138,950	146,220	201,278	221,655
CWIP & Other Assets	11,910	11,600	21,600	14,100	6,600
Investments	7,400	13,050	9,200	9,200	9,200
Other Non-current Asset	6,100	9,990	9,990	9,990	9,990
Deferred tax asset (net)	-	-	-	-	-
Current Assets					
Inventories	7,600	9,450	10,940	12,527	13,709
Trades Receivables	5,110	6,730	6,347	7,282	8,164
Other current assets	44,760	57,240	57,240	57,240	57,240
Short Term Loans & advances	660	100	100	100	100
Cash & Bank Balances	2,470	1,600	1,656	1,775	1,817
Total Assets	**220,420**	**248,710**	**263,293**	**313,491**	**328,475**

Source: Company, YES Sec

Exhibit 8: Income statement (Console)

Y/e 31 Mar (Rs m)	FY21	FY22	FY23E	FY24E	FY25E
Net Revenue	**101,100**	**112,860**	**129,152**	**148,481**	**162,803**
EBITDA	**27,620**	**24,260**	**23,044**	**32,201**	**38,679**
D&A	12,500	12,360	12,755	14,767	19,648
EBIT	15,120	11,900	10,289	17,434	19,031
Interest Expense	2,950	1,970	1,981	4,223	5,754
Other Income	1,810	1,550	1,937	2,450	2,686
Exceptional/EO items	340	20	-	-	-
EBT	**13,640**	**11,460**	**10,245**	**15,661**	**15,963**
Tax	1,780	(140)	2,561	3,915	3,991
Share of Profit/(Loss) in JV/Associates	(10)	50	-	-	-
Reported PAT	**11,830**	**11,730**	**7,684**	**11,746**	**11,972**
Less: Minority Interest	120	290	-	-	-
Adj. PAT	**12,050**	**11,460**	**7,684**	**11,746**	**11,972**

Source: Company, YES Sec

Exhibit 9: Cash Flow (Console)

Y/e 31 Mar (Rs m)	FY21	FY22	FY23E	FY24E	FY25E
Cash flow from operation	**15,140**	**12,450**	**20,691**	**25,513**	**30,138**
Profit before tax	13,830	11,320	10,245	15,661	15,963
Depreciation	12,500	12,360	12,755	14,767	19,648
Tax paid	(1,780)	140	(2,561)	(3,915)	(3,991)
Working capital Δ	(9,190)	(11,640)	252	(1,000)	(1,482)
Other operating items	(220)	270	-	-	-
Cash flow from Investing Activities	**(16,680)**	**(20,480)**	**(30,025)**	**(62,325)**	**(32,525)**
Capital expenditure	(15,870)	(16,590)	(30,025)	(62,325)	(32,525)
Change in other non-current assets	(810)	(3,890)	-	-	-
Free cash flow	**(730)**	**(4,140)**	**(9,334)**	**(36,812)**	**(2,387)**
Cash flow from Financing activities	**(20)**	**7,160**	**9,390**	**36,931**	**2,430**
Change in Equity & Reserves	10,906	18,705	0	-	-
Investments	(6,220)	(5,650)	3,850	-	-
Debt financing/disposal	(10,430)	(5,890)	6,280	37,671	3,170
Dividends paid	(246)	(1,665)	(740)	(740)	(740)
Other items	5,970	1,660	-	-	-
Net Δ in cash	**(1,560)**	**(870)**	**56**	**119**	**42**

Source: Company, YES Sec

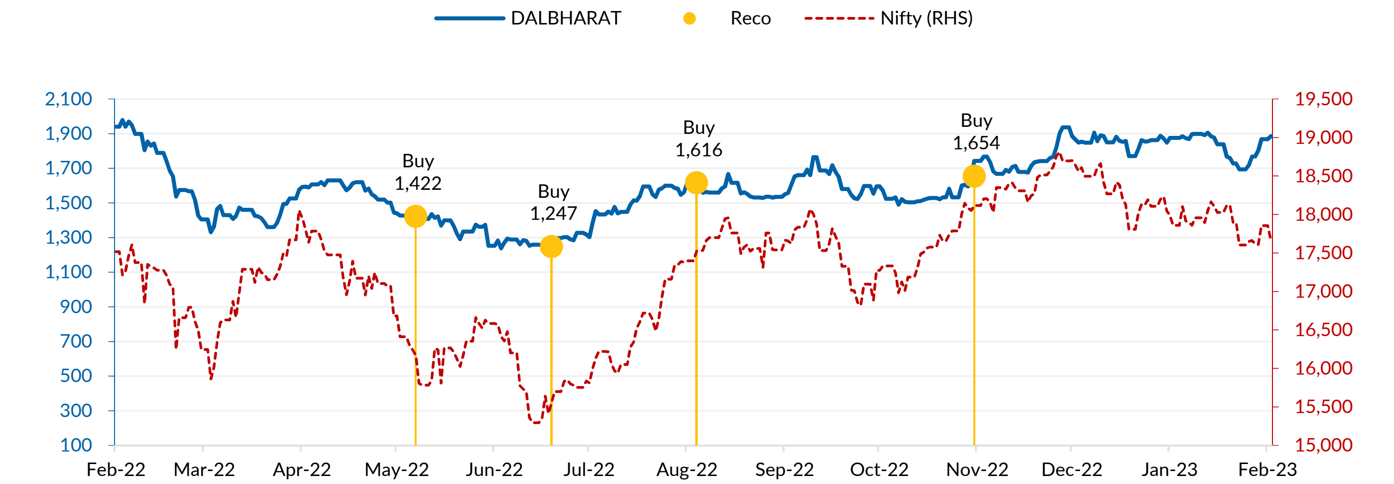
Exhibit 10: Ratio Analysis (Console)

Y/e 31 Mar	FY21	FY22	FY23E	FY24E	FY25E
Growth matrix (%)					
Revenue	4.5	11.6	14.4	15.0	9.6
EBITDA	31.1	(12.2)	(5.0)	39.7	20.1
EBT	282.1	(16.0)	(10.6)	52.9	1.9
PAT	397.1	(0.8)	(34.5)	52.9	1.9
EPS	467.0	(4.9)	(33.0)	52.9	1.9
Profitability ratios (%)					
EBITDA (%)	27.3	21.5	17.8	21.7	23.8
EBIT (%)	16.7	11.9	9.5	13.4	13.3
PAT (%)	11.7	10.4	5.9	7.9	7.4
ROCE	9.8	7.0	5.9	7.6	7.8
ROE	9.2	7.5	4.7	6.7	6.4
ROA	8.3	7.9	4.6	5.5	5.3
Per share ratios (Rs)					
EPS	65	62	42	63	65
DPS	1.3	9.0	4.0	4.0	4.0
Cash EPS	132	130	110	143	171
BVPS	692	848	885	945	1,006
Payout (%)					
Dividend payout	2.0	14.5	9.6	6.3	6.2
Tax payout	13.0	(1.2)	25.0	25.0	25.0
Liquidity ratios					
Inventory days	58	56	56	56	56
Payable days	73	58	58	58	58
Receivables days	16	19	19	19	19
Leverage ratios (x)					
Interest Coverage	5.7	6.8	6.2	4.7	3.8
Net D/E	0.2	0.2	0.2	0.4	0.4
Net Debt/EBITDA	1.3	1.2	1.6	2.3	2.0

Source: Company, YES Sec

Dalmia Bharat

Recommendation Tracker



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DISCLOSURE OF INTEREST

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The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

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Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

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