

BUY

CMP (Rs)	1,926
Target Price (Rs)	2,291
Potential Upside	19.0%
Sensex	66,645
Nifty	19,723

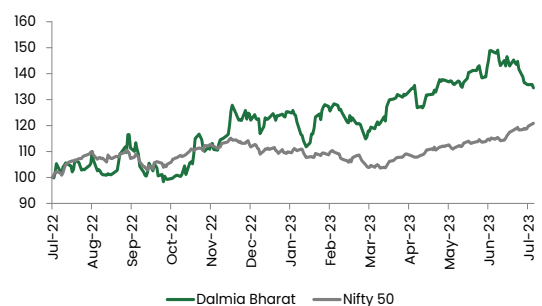
Key Stock data

BSE Code	542216
NSE Code	DALBHARAT
Bloomberg	DALBHARA:IN
Shares o/s, Cr (FV 2)	18.5
Market Cap (Rs Cr)	36,146
3M Avg Volume	257,966
52 week H/L	2,289/1,476

Shareholding Pattern

(%)	Sep-22	Dec-22	Mar-23
Promoter	55.9	55.9	55.9
FII	12.4	12.4	12.9
DII	8.3	8.3	8.7
Others	23.4	23.4	22.5

1 Year relative price performance



EV-EBITDA Forward (x)



Research Analyst

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Muted numbers however remains focused on achieving long term growth plans

Q1FY24 Result Update | Sector: Cement | July 21, 2023

Steady volumes on YoY basis: Dalmia's revenue for Q1FY24 grew by 9.8% YoY but saw a de-growth of 7.4% on sequential basis to Rs 3,624cr. The sales volumes too saw a mixed trend with growth of 12.9% YoY to 7MnT while sequentially it declined 5.9%. However, realization remained subdued to Rs 5,177 as compared to Rs 5,258 in Q4FY23 (down by 1.5% QoQ) and at Rs 5,326 in Q1FY23 (down by 2.8% YoY).

Muted EBITDA margins: The company's raw material cost saw an increase of 34.8% as compared to last year which impacted gross profit which saw a growth of just 6% YoY. Gross margins declined by 290bps YoY while improved by 355bps QoQ as raw material cost witnessed some easing. However, sequentially gross profit de-grew by 3.3% on the back of decline in revenue as well as volumes. Further, EBITDA continued to be impacted due to fuel and freight cost at high levels and so it grew just by 3.6% YoY while seeing a de-growth of 13.7% QoQ. Thus, EBITDA margins were down by 101bps YoY and 124bps QoQ to 16.8% while EBITDA/ton was at Rs 871, down by 8.3% YoY & QoQ. Further, the company had reported profit share non-core assets as well as sold entire investment of refractories and thus adj. PAT for last quarter stands at Rs 223cr. In Q1FY24, adj. PAT de-grew by 23.4% YoY and 35.4% QoQ to Rs 144cr.

Concall highlights: 1) Net Debt/EBITDA stood at 0.52x. 2) One of Lowest Carbon footprint in global cement world at 462 kgCO2/Ton of Cement. 3) Gained market share in south & north east and focus is on growing in east regions of India. 4) Will be focused on demand opportunities ahead and work towards improving growth and margins. 5) Added around 3.1MnT capacity during the quarter. 6) Going ahead, by FY24 it will reach a cement capacity of 46.6MTPA from 41.7 MnT (FY23) by growing in south India & further it has already acquired ~9.4MnT capacity in Central India from JP associates. 7) Capex spent is Rs 907cr in the quarter. 8) With JP, currently the company is helping with distributing and setting up markets for the future and manufacturing is done by JP. 9) Management remains positive on the long term growth prospects of the overall cement sector given the strong demand environment and government push towards infrastructure and housing.

Valuation: We believe Dalmia posted muted numbers this quarter but there is a lot of opportunity in the sector which will aid in growth for the company ahead. In the near term, erratic monsoon may impact demand and growth is expected from Q3FY24 onwards. Overall, the medium to long term prospect of the cement sector looks promising driven by strong demand, government investment towards infrastructure, demand from housing & real-estate sector. Also, current capacity expansion carried out by the majority of cement players to fulfil demand would bode well. Ahead, Dalmia strategy is to continue expanding in central via JP acquisition and adding capacity organically in east and south. Besides its focus cost optimization, using green fuels and increasing utilization will help in improvement of margin. On the financial front, we expect its revenue/EBITDA to improve by 27%/32% CAGR over FY23-25E driven by volumes and moderation in fuel & freight cost. Thus, maintaining our **Buy** rating with a target price of **Rs 2,291** valuing the company at EV/EBITDA of 11x FY25E.

Financial Summary - consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net revenue	11,286	13,540	19,324	21,913
EBITDA	2,431	2,316	3,465	4,082
EBITDAM (%)	21.5	17.1	17.9	18.6
APAT	1,165	1,100	1,486	2,135
APATM (%)	10.3	8.1	7.7	9.7
EPS (Rs)	63.0	59.5	80.3	115.4
EV/EBITDA	15.9	16.9	11.3	9.6
RoE (%)	7.7	7.3	8.8	11.3

Source : RBL Research

Net Sales grew by 9.8% YoY driven by healthy volume growth of 7MnT, up by 12.9% YoY

P&L Account Quarterly – consolidated

Particulars, Rs cr	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
Net Sales	3,624.0	3,302.0	9.8	3,912.0	(7.4)
Cost of Raw Materials	538.0	439.0	22.6	532.0	1.1
Purchase of Finished Goods	96.0	2.0	-	46.0	-
(Increase) / Decrease In Stocks	(68.0)	(21.0)	-	172.0	-
Total Raw material cost	566.0	420.0	34.8	750.0	(24.5)
Gross Profit	3,058.0	2,882.0	6.1	3,162.0	(3.3)
Gross Margins %	84.4	87.3	-290bps	80.8	355bps
Employee Cost	222.0	198.0	12.1	191.0	16.2
Fuel Cost	902.0	952.0	(5.3)	871.0	3.6
Other Expense	1,324.0	1,143.0	15.8	1,393.0	(5.0)
Total Expenditure	3,014.0	2,713.0	11.1	3,205.0	(6.0)
EBITDA	610.0	589.0	3.6	707.0	(13.7)
EBITDA Margins (%)	16.8	17.8	-101bps	18.1	-124bps
Depreciation	399.0	312.0	27.9	336.0	18.8
EBIT	211.0	277.0	(23.8)	371.0	(43.1)
Other Income	57.0	22.0	159.1	41.0	39.0
Interest	83.0	47.0	76.6	64.0	29.7
PBT	185.0	252.0	(26.6)	348.0	(46.8)
Exceptional items	-	17.0	-	385.0	-
PBT	185.0	269.0	(31.2)	733.0	(74.8)
Tax	41.0	64.0	(35.9)	125.0	(67.2)
PAT	144.0	205.0	(29.8)	608.0	(76.3)
PAT Margin (%)	4.0	6.2	-223bps	15.5	-1157bps
Adj. PAT	144.0	188.0	(23.4)	223.0	(35.4)
Adj. PAT Margin (%)	4.0	5.7	-172bps	5.7	-173bps

Source : RBL Research

Key Data

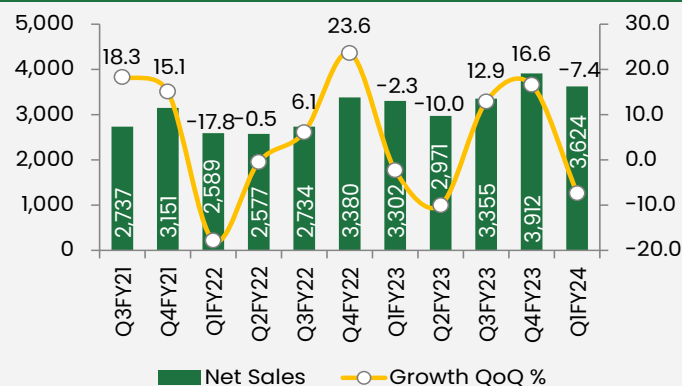
Particulars	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
Sales Volume (MT)	7.0	6.2	12.9	7.4	(5.9)
Realization (Rs)	5,177	5,326	(2.8)	5,258	(1.5)
EBITDA/Ton (Rs)	871	950	(8.3)	950	(8.3)
Total Cost/Ton (Rs)	4,306	4,376	(1.6)	4,308	(0.0)
Fuel Cost/Ton (Rs)	1,289	1,535	(16.1)	1,171	10.1

Source : RBL Research

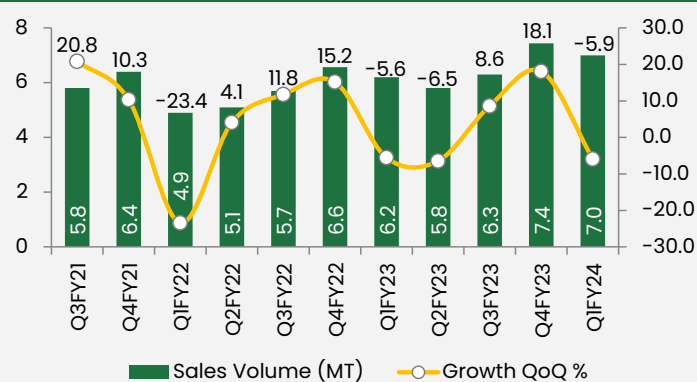
Sales volumes saw strong growth of 12.9% YoY while realization remain muted, down by 2.8% YoY

Story in charts

Net Sales de-grew by 7.4% QoQ but was higher by 9.8% YoY

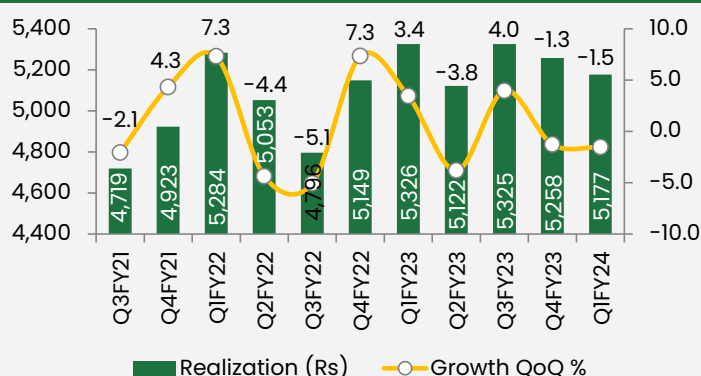


Volumes decreased by 5.9% QoQ but increase by 12.9% YoY

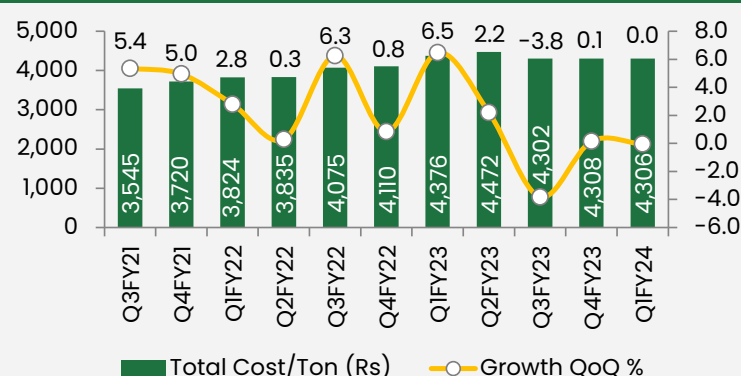


Source : RBL Research

Realization declined by 1.5% QoQ and 2.8% YoY

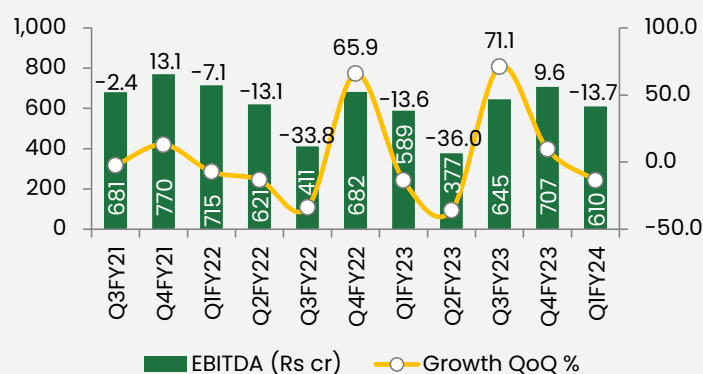


Total Cost/Ton was flat QoQ at Rs 4,306 in Q1FY24

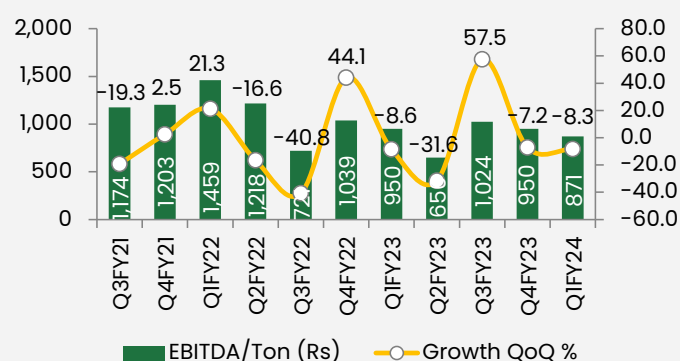


Source : RBL Research

EBITDA de-grew by 13.7% QoQ and improved by 3.6% YoY

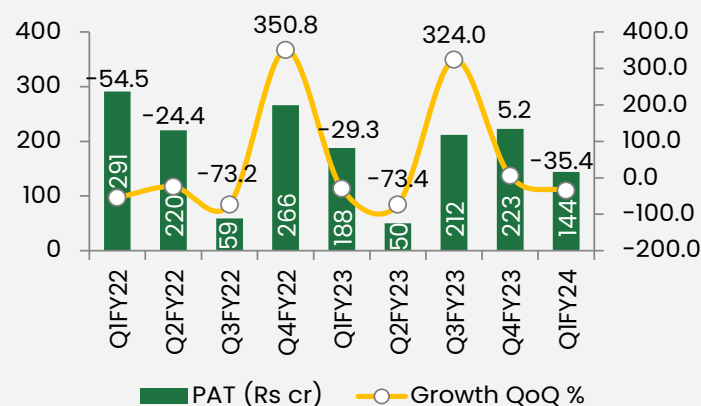


EBITDA/Ton decreased by 8.3% QoQ & YoY to Rs 871 in Q1FY24

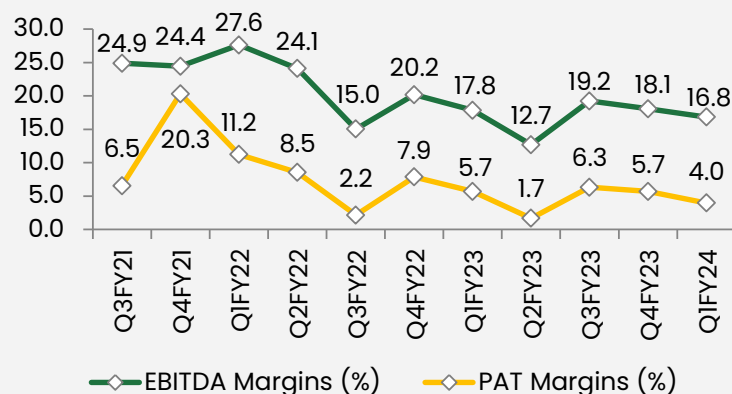


Source : RBL Research

PAT (Adj) de-grew by 35% QoQ and 23% YoY



EBITDA & PAT margins were at 16.8% & 4% in Q1FY24



Source : RBL Research

P&L Account – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net sales	11,286	13,540	19,324	21,913
Expenditure				
Cost of materials	1,580	1,906	2,686	3,024
Purchase of stock in trade (Increase) / Decrease In Stocks	14	52	58	44
	(122)	23	33	37
Total raw materials	1,472	1,981	2,777	3,105
Gross Profit	9,814	11,559	16,547	18,808
Gross Margins %	87.0	85.4	85.6	85.8
Employee cost	744	771	1,101	1,249
Fuel cost	2,570	3,679	5,179	5,807
Other expenses	4,069	4,793	6,802	7,670
Total expenditure	8,855	11,224	15,859	17,831
EBITDA	2,431	2,316	3,465	4,082
EBITDAM (%)	21.5	17.1	17.9	18.6
Depreciation	1,236	1,305	1,643	1,534
PBIT	1,195	1,011	1,822	2,549
Other income	155	138	193	219
Interest expenses	202	234	268	256
PBT	1,148	915	1,748	2,511
Tax	(14)	242	262	377
Reported PAT	1,162	673	1,486	2,135
Exceptional Income / Expenses	3	427	-	-
PAT (after Exceptional)	1,165	1,100	1,486	2,135
PAT Margin %	10.3	8.1	7.7	9.7
EPS	63.0	59.5	80.3	115.4

Source : RBL Research

Balance Sheet – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Share Capital	37	37	37	37
Reserves & Surplus	15,650	15,591	16,890	18,837
Total Shareholder's Fund	15,687	15,628	16,927	18,874
Minority Interest	72	116	116	116
Long term borrowings	1,922	3,210	3,478	3,506
Short term borrowing	1,197	532	773	767
Total Debt	3,119	3,742	4,251	4,273
Deferred tax liabilities	2,374	1,905	2,719	3,083
Long term provision	178	236	337	382
Other long term liabilities	202	259	370	419
Total	2,754	2,400	3,425	3,884
Current Liabilities				
Trade payables	850	1,135	1,620	1,837
Short term provisions	88	84	120	136
Other current liabilities	2,301	2,438	3,480	3,946
Total	3,239	3,657	5,219	5,918
Total liabilities	24,871	25,543	29,939	33,066
Application of Assets				
Net Block	13,212	14,065	16,041	18,352
Current work in process	1,036	1,859	1,859	1,859
Goodwill	807	730	730	730
Non current investment	1,305	589	966	1,096
Tax assets	484	164	234	265
Long term loans and advances	9	11	16	18
Other non-current assets	506	774	1,105	1,253
Total	17,359	18,192	20,950	23,573
Current Assets				
Current investments	4,399	2,935	3,865	3,944
Inventories	945	1,316	1,878	2,130
Trade receivables	673	700	979	1,081
Cash balance	140	235	657	521
Bank balance	20	51	51	51
Short term loans and advances	10	8	11	13
Other current assets	1,325	1,216	1,546	1,753
Assets or disposal group	-	890	-	-
Total	7,512	7,351	8,988	9,493
Total assets	24,871	25,543	29,939	33,066

Source : RBL Research

Cashflow – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Profit before tax	1,146	1,338	1,748	2,511
Add: Depreciation	1,237	1,305	1,643	1,534
Add: Interest cost	193	231	268	256
Less: Other Income /Interest Rec	(57)	(66)	-	-
Less: Dividend Income	(29)	(19)	-	-
Others	(62)	(446)	-	-
Operating profit before working capital changes	2,428	2,343	3,658	4,302
Changes in working capital	(515)	(77)	1,007	415
Cash from Operations	1,913	2,266	4,665	4,717
Less: Taxes	24	(14)	(262)	(377)
Cash flow from Operations	1,937	2,252	4,403	4,340
Net cash used in Investing				
Purchase of fixed assets	(1,769)	(2,709)	(3,618)	(3,846)
Purchase of investments	539	331	(1,307)	(209)
Sales of fixed assets	13	8	-	-
Dividend Income//Interest Rec.	75	77	-	-
Others	70	(33)	890	-
Cash flow from investing	(1,048)	(2,326)	(4,035)	(4,054)
Cash flow from Financing				
Proceeds of borrowings	570	1,534	509	22
Sales of borrowings	(1,150)	(867)	-	-
Dividend (Incl dividend tax)	(100)	(169)	(187)	(187)
Interest cost	(232)	(297)	(268)	(256)
Others	(30)	(33)	-	-
Cash flow from Financing	(942)	168	55	(422)
Net cash Inflow/Outflow	(53)	94	422	(136)
Opening cash	194	141	235	657
Closing cash	140	235	657	521

Source : RBL Research

Key ratios – consolidated

Particulars	FY22	FY23	FY24E	FY25E
Per share Data				
EPS (Rs)	63.0	59.5	80.3	115.4
Book value per share (Rs)	847.9	844.8	915.0	1020.2
Dividend per share (Rs)	5.4	9.1	10.1	10.1
Dividend Yield (%)	0.3	0.5	0.5	0.5
Dividend Payout (%)	8.3	14.8	12.6	8.8
Profitability Ratios				
EBITDAM(%)	21.5	17.1	17.9	18.6
PBTM (%)	10.2	6.8	9.0	11.5
NPM (%)	10.3	8.1	7.7	9.7
RoE (%)	7.7	7.3	8.8	11.3
RoCE (%)	6.4	5.2	8.6	11.0
Efficiency Data				
Debt-Equity (x)	0.2	0.2	0.3	0.2
Debt/EBITDA (x)	1.3	1.6	1.2	1.0
Interest Cover (x)	5.9	4.3	6.8	9.9
Fixed Asset (x)	1.2	1.0	0.8	0.8
Debtors (Days)	21.8	18.9	18.5	18.0
Inventory (Days)	30.6	35.5	35.5	35.5
Payable (Days)	27.5	30.6	30.6	30.6
WC (Days)	24.8	23.7	23.4	22.9
Valuation				
P/E (x)	30.6	32.4	24.0	16.7
P/BV	2.3	2.3	2.1	1.9
EV/EBITDA	15.9	16.9	11.3	9.6
EV/Sales	3.4	2.9	2.0	1.8

Source : RBL Research

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Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)

S. No.	Statement	Answer	
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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