

Dalmia Bharat

EBITDA miss due to one-off cost; volume outlook solid

We maintain our BUY rating on Dalmia Bharat with a TP of INR 2,300/sh (13x its Mar-25E consolidated EBITDA). We continue to like Dalmia for its healthy volume, margin, and comfortable balance sheet outlook. In Q1FY24, Dalmia reported 12% YoY volume growth. However, unit EBITDA contracted INR 70/MT QoQ to INR 872/MT, on elevated input and freight costs. We estimate the company will deliver an 18% volume CAGR during FY23-25E on ongoing expansions and market share gains. We estimate unit EBITDA will rebound to >INR 1,000/MT H2FY24 onwards, benefitting from fuel cost reductions, the rising share of green power and op-lev gains (as utilization rises). Dalmia remains among our top picks in the cement sector.

- **Q1FY24 performance:** Dalmia noted that it could have delivered higher than the reported 12% YoY volume growth if its strategy in the east had been successful. It expects to ~15-17% YoY growth in FY24E. Its input cost increased ~INR 40/MT QoQ, on higher raw materials and power costs while fuel costs cooled off ~INR 50/MT. It guided fuel costs to come off ~10-15% QoQ in Q2. Its freight cost in Q1 also went up INR 50/MT QoQ on higher clinker movement. The unit fixed cost went up 3% QoQ on op-lev loss. These led to a unit EBITDA decline by INR 75/MT QoQ to INR 872/MT.
- **Capex and outlook:** It will spend INR 65bn in FY24E, which would include INR 35bn towards JPA's plant acquisition. The JPA's acquisition timeline is pushed to the end of FY24E owing to expected delays from lenders' approvals. In the meantime, Dalmia is sourcing cement from these plants under tolling arrangements and seeding the Dalmia brand in the central region (the new market for the company). It is focusing on selling blended cement from all its plants and is ramping up green power consumption. These along with cooling-off fuel prices should drive unit EBITDA to >INR 1,000/MT in FY25E. We have trimmed EBITDA estimates for FY24/25E by 4/2%, factoring in the cost trends. Despite its aggressive expansions, Dalmia's balance sheet will remain comfortable, in our view.

Quarterly/annual financial summary (consolidated)

YE Mar (INR bn)	Q1 FY24	Q1 FY23	YoY (%)	Q4 FY23	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
Sales (mn MT)	7.0	6.2	12.4	7.5	(6.4)	20.7	22.2	25.8	29.8	35.4
NSR (INR/MT)	5,179	5,304	(2.4)	5,231	(1.0)	4,884	5,084	5,250	5,093	5,093
EBITDA (INR/MT)	872	941	(7.4)	945	(7.8)	1,334	1,093	898	973	1,033
Net Sales	36.24	33.02	9.8	39.12	(7.4)	101.10	112.86	135.40	151.59	180.39
EBITDA	6.10	5.86	4.1	7.07	(13.7)	27.62	24.26	23.16	28.96	36.60
APAT	1.30	1.96	(33.7)	2.05	(77.9)	11.48	8.10	6.56	8.07	9.64
AEPS (INR)	6.9	10.5	(33.9)	10.9	(36.6)	60.8	43.8	35.5	43.6	52.1
EV/EBITDA (x)						13.6	15.1	16.0	13.9	11.1
EV/MT (INR bn)						12.2	10.2	9.6	7.9	7.4
P/E (x)						30.9	43.9	54.1	44.0	36.8
RoE (%)						9.8	5.6	4.1	5.0	5.7

Source: Company, HSIE Research

Estimates revision summary

INR bn	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %
Net Sales	153.15	151.59	(1.0)	182.25	180.39	(1.0)
EBITDA	30.22	28.96	(4.2)	37.23	36.60	(1.7)
APAT	8.94	8.07	(9.7)	10.34	9.64	(6.8)

Source: Company, HSIE Research

BUY

CMP (as on 21 Jul 2023)	INR 1,920
Target Price	INR 2,300
NIFTY	19,745

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,350	INR 2,300
EBITDA revision %	FY24E (4.2)	FY25E (1.7)

KEY STOCK DATA

Bloomberg code	DALBHARA IN
No. of Shares (mn)	187
MCap (INR bn) / (\$ mn)	360/4,401
6m avg traded value (INR mn)	576
52 Week high / low	INR 2,289/1,476

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(0.1)	4.4	24.7
Relative (%)	(11.9)	(5.6)	4.9

SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	55.86	55.86
FIs & Local MFs	8.55	8.83
FPIs	12.87	13.48
Public & Others	22.72	21.27
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

Rajesh Ravi

Rajesh.ravi@hdfcsec.com

+91-22-6171-7352

Keshav Lahoti

keshav.lahoti@hdfcsec.com

+91-22-6171-7353

Disclosure:

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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HDFC securities
Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com