

HOLD Dalmia Bharat

ASIAMONEY BROKERS POLL - 2023

Emkay Research

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Your success is our success**Lower realization led to EBITDA miss; re-states capacity growth****Cement** ▶ Result Update ▶ **July 22, 2023****TARGET PRICE (Rs): 2,125**

Dalmia Bharat's Q1FY24 EBITDA increased 4% YoY/decreased 14% QoQ to Rs6.1bn, coming in 7-8% below our/Consensus estimates owing to lower realization and higher cost. Accordingly, EBITDA/ton declined 7-8% YoY and QoQ to Rs872 (Emkay: Rs950). With delay in receipt of regulatory approvals, we factor-in the acquisition of JPA's various cement assets, from FY25. Company has recapitulated its capacity growth target to 47mt/75mt/110-130mt by FY24/FY27/FY31, respectively (from 41.7mt currently). Building-in the Q1FY24 miss, we cut FY24E EBITDA by 7%, but maintain FY25E EBITDA. Given Company's growth visibility, strong balance sheet and recent divestment of non-core assets, we raise our target EV/E by one notch to 11x (earlier 10x) and revise Jun-24E TP to Rs2,125/sh, post quarterly roll-over; maintain HOLD.

Dalmia Bharat: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	1,12,860	1,35,400	1,50,783	1,81,287	2,04,023
EBITDA	24,260	23,160	28,795	36,398	42,667
Adj. PAT	7,630	6,040	8,398	11,991	14,852
Adj. EPS (Rs)	59.9	52.5	44.8	64.0	79.2
EBITDA margin (%)	21.5	17.1	19.1	20.1	20.9
EBITDA growth (%)	(12.8)	(4.5)	24.3	26.4	17.2
Adj. EPS growth (%)	(9.0)	(12.2)	(14.7)	42.8	23.9
RoE (%)	5.4	4.2	5.3	7.1	8.3
RoIC (%)	13.7	10.8	11.7	11.9	12.0
P/E (x)	47.1	55.0	42.9	30.0	24.2
EV/EBITDA (x)	14.2	15.8	12.9	11.3	9.4
P/B (x)	2.3	2.3	2.2	2.1	1.9
FCFF yield (%)	0.5	(1.2)	(0.7)	(8.0)	3.7

Source: Company, Emkay Research

Result Summary

Dalmia's consolidated volumes rose 12% YoY/declined 6% QoQ to 7mt, while cement realization/ton fell ~2% QoQ to Rs5,178. EBITDA/ton dropped 7-8% YoY and QoQ to Rs872 (Emkay: Rs950). Dalmia's total cost/ton slipped 1% YoY/remained flat QoQ at Rs4,306, owing to higher than expected freight cost. Raw material/power & fuel cost/ton declined 5% YoY/4% QoQ. Net debt increased by Rs5.5bn QoQ to Rs12bn (incl. MTM investment of Rs17bn) as of Jun-23, with net debt-to-EBITDA at 0.52x in Jun-23 vs 0.29x in Mar-23. Capex spent stood at Rs9bn in Q1FY24. Dalmia maintained FY24 capex guidance at Rs63bn (incl. cement assets from the JP acquisition at Rs35bn) and Rs35bn for FY25.

What we liked: Double-digit volume growth**What we did not like:** Delay in acquisition of JPA's cement assets; lower than expected realization and higher than expected cost

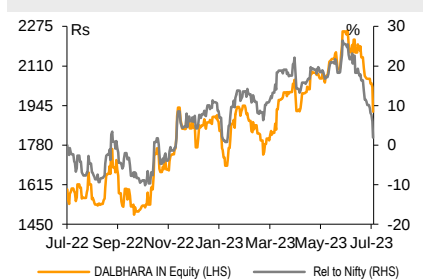
Earnings-call KTAs: 1) Company reiterated its target of achieving cement capacity of 46.6mt by Mar-24 vs 41.7mt in Jul-23, with commissioning of plants in the South. YTD-FY24, Company has announced: commencement of the Bokaro (Jharkhand) plant, which has capacity of 2.5mt; debottlenecking of 0.6mt capacity at its Midnapore plant (WB); and commencement of the trial run of the greenfield split GU at Sattur (TN), with 2mt capacity. 2) Cement prices have marginally weakened (~Rs5/bag) since Jun-23 in the East and in some pockets in the southern region. 3) In eastern India, Company tested improving the pricing discipline and hence lost market share in the region, in Q1FY24. Company is likely to take corrective measures to recover market share in coming quarters. 4) Renewable energy capacity increased by 4MW QoQ to 170MW; Management targets increasing this to 328MW by FY24. 5) Dalmia expects a USD20/ton decline in petcoke consumption cost in Q2FY24. 6) Dalmia received the first tranche of the Rs1.6bn from the sale of its stake in Dalmia Bharat Refractories. 5) Trade mix declined by 100bps QoQ to 63%, premium product share rose by 200bps QoQ to 21%; lead distance stood at 284km in Q1FY24.

Target Price – 12M	Jun-24
Change in TP (%)	8.9
Current Reco.	HOLD
Previous Reco.	HOLD
Upside/(Downside) (%)	10.7
CMP (21-Jul-23) (Rs)	1,920.0

Stock Data	Ticker
52-week High (Rs)	2,289
52-week Low (Rs)	1,476
Shares outstanding (mn)	187.5
Market-cap (Rs bn)	360
Market-cap (USD mn)	4,392
Net-debt, FY24E (Rs mn)	12,216
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	573.0
ADTV-3M (USD mn)	7.0
Free float (%)	42
Nifty-50	19,745
INR/USD	82.0
Shareholding, Mar-23	
Promoters (%)	55.9
FPIs/MFs (%)	12.8/8.6

Price Performance

(%)	1M	3M	12M
Absolute	(15.0)	(0.1)	24.7
Rel. to Nifty	(18.8)	(10.8)	4.9

1-Year share price trend (Rs)**Dharmesh Shah**dharmesh.shah@emkayglobal.com
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Quarterly Analysis

Exhibit 1: Actual vs. Estimates (Q1FY24)

(Rs mn)	Actual	Estimates		Variation (%)		Comment
		Emkay	Consensus	Emkay	Consensus	
Net sales	36,240	36,639	37,054	(1.1)	(2.2)	Broadly in line with estimates
EBITDA	6,100	6,659	6,552	(8.4)	(6.9)	Led by lower realization and higher than expected cost
PAT	1,300	2,075	2,451	(37.4)	(47.0)	
Volumes (mt)	7.0	7.0		(0.1)		
Cement realization (Rs/ton)	5,178	5,228		(1.0)		
EBITDA (Rs/ton)	872	950		(8.3)		

Source: Bloomberg, Emkay Research

Exhibit 2: Quarterly financial highlights

(Rs mn)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	YoY (%)	QoQ (%)
Revenue	33,020	29,710	33,550	39,120	36,240	9.8	(7.4)
Expenditure	27,160	25,920	27,110	32,050	30,140	11.0	(6.0)
Total RM	4,200	4,410	3,700	7,500	5,660	34.8	(24.5)
Power & Fuel	9,520	8,920	9,640	8,710	9,020	(5.3)	3.6
Freight	6,820	5,960	7,020	8,220	8,090	18.6	(1.6)
Staff cost	1,980	1,890	1,930	1,910	2,220	12.1	16.2
Other expenditure	4,640	4,740	4,820	5,710	5,150	11.0	(9.8)
EBITDA	5,860	3,790	6,440	7,070	6,100	4.1	(13.7)
Depreciation	3,120	3,320	3,250	3,360	3,990	27.9	18.8
EBIT	2,740	470	3,190	3,710	2,110	(23.0)	(43.1)
Other Income	220	380	360	410	570	159.1	39.0
Interest	440	560	690	640	830	88.6	29.7
PBT	2,520	290	2,860	3,480	1,850	(26.6)	(46.8)
Total Tax	640	(210)	740	1,250	410	(35.9)	(67.2)
Adjusted PAT	1,880	500	2,120	2,230	1,440	(23.4)	(35.4)
(Profit)/loss from JVs/Ass/MI	(80)	(50)	120	200	140	(275.0)	(30.0)
PAT after MI	1,960	550	2,000	2,030	1,300	(33.7)	(36.0)
Extra ordinary items	-	-	-	3,860	-		
Reported PAT	1,960	550	2,000	5,890	1,300	(33.7)	(77.9)
Adjusted EPS (Rs)	10.5	2.9	10.7	10.8	6.9	(33.7)	(36.0)
(%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	YoY (bps)	QoQ (bps)
EBITDAM	17.7	12.8	19.2	18.1	16.8	(91)	(124)
EBITM	8.3	1.6	9.5	9.5	5.8	(248)	(366)
EBTM	7.6	1.0	8.5	8.9	5.1	(253)	(379)
PATM	5.7	1.7	6.3	5.7	4.0	(172)	(173)
Effective Tax rate	25.4	(72.4)	25.9	35.9	22.2		

Source: Company, Emkay Research

Exhibit 3: Quarterly analysis on a per-ton basis

(Rs/ton)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	YoY (%)	QoQ (%)
Cement volumes (mt)	6.2	5.8	6.3	7.4	7.0	12.3	(5.8)
Blended Realization	5,300	5,131	5,325	5,264	5,178	(2.3)	(1.6)
Raw Material cost	674	762	587	1,009	809	19.9	(19.9)
Power & Fuel cost	1,528	1,541	1,530	1,172	1,289	(15.7)	9.9
Freight cost	1,095	1,029	1,114	1,106	1,156	5.6	4.5
Staff cost	318	326	306	257	317	(0.2)	23.4
Other expenditure	745	819	765	768	736	(1.2)	(4.2)
Operating cost	4,360	4,477	4,303	4,313	4,306	(1.2)	(0.2)
EBITDA/ton	941	655	1,022	951	872	(7.3)	(8.4)

Source: Emkay Research

Exhibit 4: Our EBITDA remains largely unchanged for FY25

Earnings revision	FY24E			FY25E		
	Old	New	% chg	Old	New	% chg
Revenue (Rs mn)	1,50,294	1,50,783	0.3	1,66,754	1,81,287	8.7
EBITDA (Rs mn)	30,879	28,795	(6.8)	36,439	36,398	(0.1)
PAT (Rs mn)	11,587	8,398	(27.5)	15,469	11,991	(22.5)

Source: Emkay Research

Exhibit 5: We maintain HOLD on Dalmia Bharat, with TP of Rs2,125/share, based on Jun-24E EV/E of 11x

EV/E valuation, backed by DCF analysis	Jun-24E
Jun-25E EBITDA (Rs bn)	38
EV/E (x)	11
Enterprise Value (Rs bn)	418
Net debt (Jun-24E; Rs bn)	20
Equity value (Rs bn)	398
No. of shares (mn)	187
Jun-24E Target Price (Rs/share)	2,125

Source: Emkay Research

Exhibit 6: Annual Financials

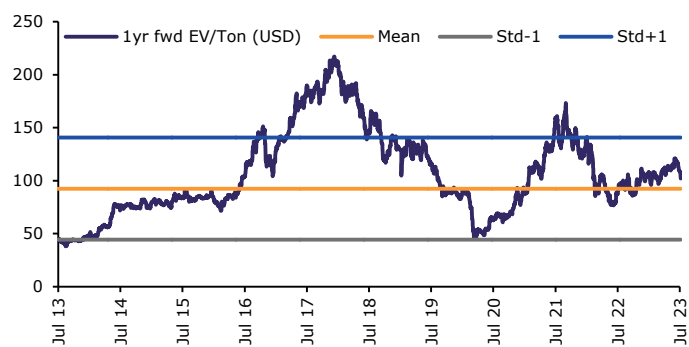
Key Assumptions	FY19	FY20	FY21E	FY22	FY23	FY24E	FY25E	FY26E	CAGR	
									FY19-23	FY23-26E
Cement Capacity (mt)	25	26.1	30.8	35.9	39	47	56	58	11.5	14.8
Volumes (mt)	19	19	21	22	26	29	34	38	8.4	13.6
Utilization (%)	75	74	67	62	67	62	61	65		
Blended Realization (Rs/ton)	5,047	4,967	5,088	5,084	5,258	5,182	5,280	5,402	1.0	0.9
EBITDA/ton (Rs)	1,016	1,092	1,346	1,093	899	990	1,060	1,130	(3.0)	7.9
P&L (Rs bn)										
Revenue	95	96	105	113	135	151	181	204	9.3	14.6
EBITDA	19	21	28	24	23	29	36	43	4.5	22.6
Adj. Net Profit	3	2	9	8	7	8	12	15	20.7	31.4
Balance Sheet (Rs bn)										
Equity	106	106	126	157	156	163	174	186		
Net Debt	31	28	9	(14)	7	12	50	42		
Net Debt:EBITDA (x)	1.6	1.3	0.3	(0.6)	0.3	0.4	1.4	1.0		
Net Debt:Equity (x)	0.3	0.3	0.1	(0.1)	0.0	0.1	0.3	0.2		
Cash Flow (Rs bn)										
OCF before NWC change	15	16	27	24	22	24	29	33		
Change in NWC	(2)	3	8	(5)	(1)	2	(2)	(1)		
Capex	(9)	(14)	(13)	(18)	(27)	(30)	(63)	(21)		
FCF	5	6	21	1	(6)	(4)	(36)	11		
Return ratios										
RoE (%)	2.9	2.1	7.5	5.4	4.2	5.3	7.1	8.3		
RoCE (%)	4.7	2.9	5.8	4.6	4.0	5.1	6.3	7.1		
RoIC (%)	13.4	12.8	19.1	13.7	10.8	11.7	11.9	12.0		
Valuations (x)										
PER		167.1	41.6	47.1	55.0	42.9	30.0	24.2		
EV/EBITDA		19.1	13.2	14.2	15.8	12.9	11.3	9.4		
EV/ton		207	161	129	128	107	99	93		

Source: Company, Emkay Research

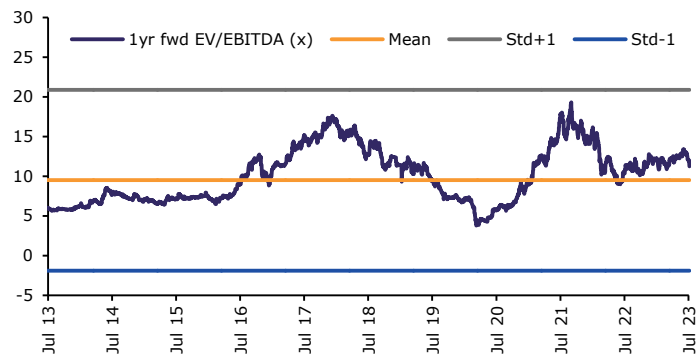
Exhibit 7: Annual analysis on a per-ton basis

(Rs/ton)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Blended realization	5,047	4,967	5,088	5,084	5,258	5,182	5,280	5,402
% YoY	(0.2)	(1.6)	2.4	(0.1)	3.4	(1.5)	1.9	2.3
Raw material costs	956	857	861	663	769	819	843	856
Power & fuel costs	940	901	809	1,158	1,429	1,188	1,208	1,229
Freight costs	979	982	1,009	1,061	1,088	1,138	1,151	1,188
Staff costs	347	350	345	335	299	307	281	268
Other expenses	810	785	719	774	773	741	737	731
Operating costs	4,032	3,875	3,742	3,991	4,359	4,192	4,220	4,272
% YoY	4.3	(3.9)	(3.4)	6.6	9.2	(3.8)	0.7	1.2
Blended EBITDA	1,016	1,092	1,346	1,093	899	990	1,060	1,130
% YoY	(14.6)	7.5	23.3	(18.8)	(17.7)	10.0	7.1	6.6

Source: Company, Emkay Research

Exhibit 8: One-year forward EV/ton (USD)

Source: Bloomberg, Emkay Research

Exhibit 9: One-year forward EV/EBITDA (x)

Source: Bloomberg, Emkay Research

Dalmia Bharat: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	1,12,860	1,35,400	1,50,783	1,81,287	2,04,023
Revenue growth (%)	7.3	20.0	11.4	20.2	12.5
EBITDA	24,260	23,160	28,795	36,398	42,667
EBITDA growth (%)	(12.8)	(4.5)	24.3	26.4	17.2
Depreciation & Amortization	12,360	13,050	15,174	16,249	17,433
EBIT	11,900	10,110	13,620	20,149	25,234
EBIT growth (%)	(21.8)	(15.0)	34.7	47.9	25.2
Other operating income	0	0	0	0	0
Other income	1,550	1,380	1,755	1,316	1,329
Financial expense	1,970	2,340	3,383	4,567	5,634
PBT	11,480	9,150	11,992	16,897	20,929
Extraordinary items	3,570	3,810	0	0	0
Taxes	3,610	2,420	2,976	4,275	5,295
Minority interest	240	690	618	631	782
Income from JV/Associates	0	0	0	0	0
Reported PAT	11,200	9,850	8,398	11,991	14,852
PAT growth (%)	(9.0)	(12.1)	(14.7)	42.8	23.9
Adjusted PAT	7,630	6,040	8,398	11,991	14,852
Diluted EPS (Rs)	59.9	52.5	44.8	64.0	79.2
Diluted EPS growth (%)	(9.0)	(12.2)	(14.7)	42.8	23.9
DPS (Rs)	9.0	9.0	6.7	9.6	11.9
Dividend payout (%)	15.0	17.1	15.0	15.0	15.0
EBITDA margin (%)	21.5	17.1	19.1	20.1	20.9
EBIT margin (%)	10.5	7.5	9.0	11.1	12.4
Effective tax rate (%)	31.4	26.4	24.8	25.3	25.3
NOPLAT (pre-IndAS)	8,158	7,436	10,240	15,051	18,850
Shares outstanding (mn)	187.1	187.5	187.5	187.5	187.5

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	11,480	9,150	11,992	16,897	20,929
Others (non-cash items)	350	(5,150)	(58)	0	0
Taxes paid	240	(140)	(2,976)	(4,275)	(5,295)
Change in NWC	(5,150)	(770)	2,140	(1,777)	(726)
Operating cash flow	19,370	22,520	27,282	29,714	35,864
Capital expenditure	(17,560)	(27,010)	(30,000)	(62,540)	(20,830)
Acquisition of business	6,330	2,980	3,400	0	0
Interest & dividend income	750	770	1,755	1,316	1,329
Investing cash flow	(10,480)	(23,260)	(24,846)	(61,224)	(19,501)
Equity raised/(repaid)	50	0	0	0	0
Debt raised/(repaid)	(5,800)	6,670	0	38,000	(8,000)
Payment of lease liabilities	(350)	0	0	0	0
Interest paid	(2,670)	(3,300)	(3,383)	(4,567)	(5,634)
Dividend paid (incl tax)	(1,000)	(1,690)	(1,260)	(1,799)	(2,228)
Others	(980)	310	0	0	0
Financing cash flow	(10,400)	1,990	(4,643)	31,634	(15,862)
Net chg in Cash	(1,510)	1,250	(2,206)	124	501
OCF	19,370	22,520	27,282	29,714	35,864
Adj. OCF (w/o NWC chg.)	24,520	23,290	25,142	31,492	36,590
FCFF	1,810	(4,490)	(2,718)	(32,826)	15,034
FCFE	(3,990)	2,180	(2,718)	5,174	7,034
OCF/EBITDA (%)	79.8	97.2	94.7	81.6	84.1
FCFE/PAT (%)	(52.3)	36.1	(32.4)	43.2	47.4
FCFF/NOPLAT (%)	22.2	(60.4)	(26.5)	(218.1)	79.8

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	374	375	375	375	375
Reserves & Surplus	1,56,496	1,55,905	1,63,043	1,73,236	1,85,860
Net worth	1,56,870	1,56,280	1,63,418	1,73,610	1,86,235
Minority interests	720	1,160	1,160	1,160	1,160
Deferred tax liability (net)	20,340	16,340	16,282	16,282	16,282
Total debt	31,400	37,630	37,630	75,630	67,630
Total liabilities & equity	2,09,330	2,11,410	2,18,490	2,66,682	2,71,307
Net tangible fixed assets	1,05,320	1,23,260	1,43,086	1,91,837	1,96,404
Net intangible assets	25,560	24,430	24,430	24,430	24,430
Net ROU assets	1,120	1,870	1,870	1,870	1,870
Capital WIP	10,360	18,590	13,590	11,130	9,960
Goodwill	8,070	7,300	7,300	7,300	7,300
Investments [JV/Associates]	13,030	7,070	7,070	7,070	7,070
Cash & equivalents	45,610	31,020	25,414	25,538	26,039
Current assets (ex-cash)	37,970	41,890	42,780	48,220	52,226
Current Liab. & Prov.	39,380	44,020	47,050	50,713	53,992
NWC (ex-cash)	(1,410)	(2,130)	(4,270)	(2,493)	(1,767)
Total assets	2,09,330	2,11,410	2,18,490	2,66,682	2,71,307
Net debt	(14,210)	6,610	12,216	50,092	41,591
Capital employed	2,09,330	2,11,410	2,18,490	2,66,682	2,71,307
Invested capital	1,40,330	1,54,730	1,72,416	2,22,944	2,28,237
BVPS (Rs)	838.3	833.6	871.7	926.0	993.4
Net Debt/Equity (x)	(0.1)	0.0	0.1	0.3	0.2
Net Debt/EBITDA (x)	(0.6)	0.3	0.4	1.4	1.0
Interest coverage (x)	6.8	4.9	4.5	4.7	4.7
RoCE (%)	6.8	5.5	7.2	8.8	9.9

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	47.1	55.0	42.9	30.0	24.2
P/CE(x)	18.0	18.9	15.3	12.7	11.1
P/B (x)	2.3	2.3	2.2	2.1	1.9
EV/Sales (x)	3.1	2.7	2.5	2.3	2.0
EV/EBITDA (x)	14.2	15.8	12.9	11.3	9.4
EV/EBIT(x)	29.0	36.3	27.3	20.4	15.9
EV/IC (x)	2.5	2.4	2.2	1.8	1.8
FCFF yield (%)	0.5	(1.2)	(0.7)	(8.0)	3.7
FCFE yield (%)	(1.2)	0.6	(0.7)	1.3	1.8
Dividend yield (%)	0.5	0.5	0.3	0.5	0.6
DuPont-RoE split					
Net profit margin (%)	6.8	4.5	5.6	6.6	7.3
Total asset turnover (x)	0.6	0.6	0.7	0.7	0.8
Assets/Equity (x)	1.4	1.3	1.3	1.4	1.5
RoE (%)	5.4	3.9	5.3	7.1	8.3
DuPont-RoIC					
NOPLAT margin (%)	7.2	5.5	6.8	8.3	9.2
IC turnover (x)	0.8	0.9	0.9	0.9	0.9
RoIC (%)	13.7	10.8	11.7	11.9	12.0
Operating metrics					
Core NWC days	(4.6)	(5.7)	(10.3)	(5.0)	(3.2)
Total NWC days	(4.6)	(5.7)	(10.3)	(5.0)	(3.2)
Fixed asset turnover	0.5	0.6	0.6	0.6	0.6
Opex-to-revenue (%)	65.5	68.3	65.1	64.0	63.2

Source: Company, Emkay Research

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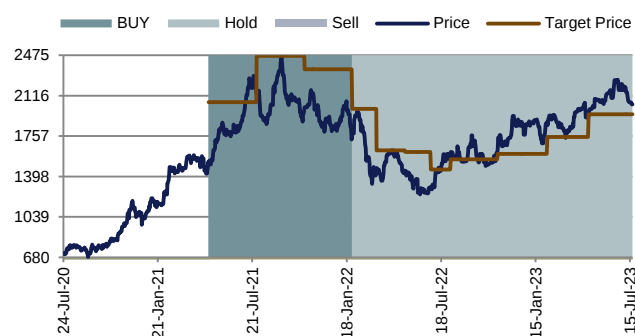
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RECOMMENDATION HISTORY - DETAILS

Date	CMP (INR)	TP (INR)	Rating	Analyst
17-Jun-23	2,255	1,950	Hold	Dharmesh Shah
03-Jun-23	2,139	1,950	Hold	Dharmesh Shah
04-May-23	2,024	1,950	Hold	Dharmesh Shah
26-Apr-23	1,934	1,950	Hold	Dharmesh Shah
27-Mar-23	1,869	1,750	Hold	Dharmesh Shah
02-Mar-23	1,846	1,750	Hold	Dharmesh Shah
06-Feb-23	1,885	1,750	Hold	Dharmesh Shah
05-Feb-23	1,868	1,600	Hold	Dharmesh Shah
29-Dec-22	1,855	1,600	Hold	Dharmesh Shah
12-Dec-22	1,906	1,600	Hold	Dharmesh Shah
05-Dec-22	1,886	1,600	Hold	Dharmesh Shah
05-Nov-22	1,743	1,600	Hold	Dharmesh Shah
03-Nov-22	1,654	1,600	Hold	Dharmesh Shah
04-Oct-22	1,596	1,550	Hold	Dharmesh Shah
04-Sep-22	1,535	1,550	Hold	Dharmesh Shah
05-Aug-22	1,616	1,550	Hold	Dharmesh Shah
04-Jul-22	1,318	1,460	Hold	Dharmesh Shah
28-Jun-22	1,302	1,460	Hold	Dharmesh Shah
10-May-22	1,422	1,615	Hold	Dharmesh Shah
16-Mar-22	1,474	1,630	Hold	Dharmesh Shah
28-Jan-22	1,785	2,000	Hold	Dharmesh Shah
31-Dec-21	1,848	2,350	Buy	Dharmesh Shah
02-Dec-21	1,848	2,350	Buy	Dharmesh Shah
29-Oct-21	2,012	2,350	Buy	Dharmesh Shah
05-Sep-21	2,229	2,470	Buy	Dharmesh Shah
29-Jul-21	2,135	2,470	Buy	Dharmesh Shah
06-Jun-21	1,791	2,060	Buy	Dharmesh Shah
01-May-21	1,506	2,060	Buy	Dharmesh Shah
28-Apr-21	1,510	2,060	Buy	Dharmesh Shah

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

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