

3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✗	✓	✗
+ Positive = Neutral - Negative			

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✗
RQ	✗	↔	✗
RV	✗	↔	✗

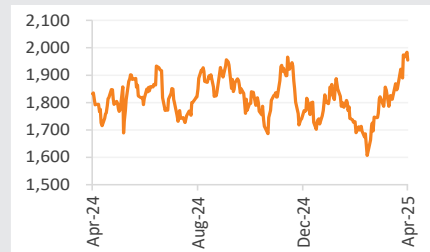
Company details

Market cap:	Rs. 36,666 cr
52-week high/low:	Rs. 2,017/1,602
NSE volume: (No of shares)	3.4 lakh
BSE code:	542216
NSE code:	DALMIABHA
Free float: (No of shares)	8.3 cr

Shareholding (%)

Promoters	55.8
FII	8.3
DII	16.4
Others	19.4

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	7.3	7.8	8.8	6.7
Relative to Sensex	3.6	2.0	8.5	-0.8

Source: Mirae Asset Sharekhan Research, Bloomberg

Dalmia Bharat Ltd

Cost efficiencies and pricing improvement to drive growth

Cement	Sharekhan code: DALMIABHA
Reco/View: Buy	CMP: Rs. 1,955 Price Target: Rs. 2,300
↑ Upgrade ↔ Maintain ↓ Downgrade	

Summary

- We retain BUY on Dalmia with a revised PT of Rs. 2,300, valuing it at 13x on its FY27 EV/EBITDA. The stock is currently trading at 12.4x/11x its FY26/27 EV/EBITDA.
- In Q4FY2025, Dalmia reported a ~5% decline in consolidated revenue, mainly because of volume de-growth of 2.8% y-o-y. EBITDA/ton reached Rs 922, up 24% YoY, driven by cost leadership initiatives and increased renewable power capacity.
- The company added 2.9 mt cement capacity, increasing its total capacity to 49.5 mt. The company aims to increase the capacity to 55.5 mt by FY27 and 75 mt by FY28.
- Management aims to balance profitability and volume growth. The operating cost reduction target of Rs. 150-200 per tonne over the next two years remains intact, with half of this target expected to be achieved in FY26.

For Q4FY2025, Dalmia Bharat Limited's (Dalmia) consolidated revenue of Rs. 4,091 crore (down 5.0% y-o-y) missed our estimate, primarily due to a 2.8% y-o-y decline in cement volumes (excluding JPA tolling volumes of 0.6 mt). The volume growth including them would have been 4% y-o-y. The pricing saw a slight improvement of 0.2% q-o-q while it declined 2.7% y-o-y. The marginal price increase in the Eastern region was mitigated by the weakness in South. EBITDA per tonne stood at Rs. 922, up 24% y-o-y, largely driven by cost leadership initiatives, including an increase in renewable energy (RE) power capacity to 267 MW in FY25 (from 185 MW in FY24), with plans to more than double this to 595 MW in FY26. Operating profit was Rs. 793 crore (up 21.3% y-o-y), and adjusted net profit reached Rs. 435 crore (up 38% y-o-y). Management has opted not to provide volume growth guidance, focusing instead on balancing volume and profitability. The company has retained its operating cost reduction target of Rs. 150-200 per tonne over the next two years, with half of this expected to be achieved in FY26. Dalmia added 2.4 mt of cement capacity in Assam and 0.5 mt in Bihar, bringing its total capacity to 49.5 mt. Additionally, the company announced an investment of approximately Rs. 3,520 crore for a 3.6 mt clinker unit and a 3 mt grinding unit at Belgaum, Karnataka, along with a new 3 mt grinding unit in Pune, Maharashtra. It is working toward its interim capacity target of 75 mt by FY2028, with a debt level expected to remain below 2x, while staying committed to its long-term goal of 110-130 mt capacity by 2031.

Key positives

- The cement price per bag have increased by Rs. 10-15 in April.
- EBITDA/tonne of Rs. 922 increased 24.2% y-o-y.

Key negatives

- The company hasn't given a volume guidance.

Our Call

Valuation – Retain BUY with a revised PT of Rs. 2,300: Dalmia is one of the low-cost cement producers in the country. The company will get the benefit of its cost reduction initiatives and it has guided for EBITDA/tonne to increase by Rs. 150-200/tonne in the next two years. The pricing environment has also improved and the company aims to balance its volume growth and profitability. Dalmia is currently trading at an EV/EBITDA of 12.4x/11x its FY2026E/FY2027E earnings. We retain our BUY rating on the stock with a revised price target (PT) of Rs. 2,300, giving it a 13x multiple on its FY27 EV/EBITDA.

Key Risks

- Pressure on cement demand and prices in the East, Northeast, and South India can affect financial performance.
- Macroeconomic challenges leading to lower government spending on infrastructure and housing sectors can also affect the company's performance.

Valuation (Consolidated)

Particulars	FY23	FY24	FY25	FY26E	FY27E
Revenue	13,552	14,691	13,980	15,496	17,007
OPM (%)	17.2	18.0	17.2	20.0	21.0
Adjusted PAT	477	770	611	1,003	1,143
y-o-y growth (%)	-56.6	61.4	-20.6	64.2	13.9
Adjusted EPS (Rs.)	27.4	43.5	35.9	52.8	60.2
P/E (x)	71.7	45.1	54.5	37.1	32.6
P/B (x)	2.3	2.3	2.1	2.1	2.0
EV/EBITDA (x)	15.5	14.0	15.5	12.4	11.0
RoNW (%)	3.2%	5.2%	4.0%	5.6%	6.1%
RoCE (%)	4.2%	6.4%	5.7%	6.0%	6.3%

Source: Company; Mirae Asset Sharekhan estimates

Key conference call takeaways

- ♦ **Demand:** In Q4 FY25, cement demand grew by 7-8% y-o-y, driven by increased government infrastructure spending, compared to 3.5% growth in the first nine months. For FY25, demand increased by 4-5%, with expectations of 7-8% growth in FY26, fuelled by infrastructure projects, housing, and private sector investments.
- ♦ **Capacity expansion:** Current capacity reached 49.5 mt in Q4 FY25, with new grinding units in Assam (2.4 mt) and Bihar (0.5 mt). The company plans to add 6 mt by FY2027, including 3 mt at an existing plant in Belgaum, Karnataka, and a 3 mt greenfield unit in Pune, Maharashtra, targeting the Western India markets. Dalmia is also pursuing JPA's 9.4 mt cement assets in Central India to establish a presence in this region.
- ♦ **Cost Efficiency:** Dalmia, one of the lowest-cost cement producers, aims to reduce costs by 150-200 per tonne over the next two years, with 50% of the savings targeted for FY26.
- ♦ **Volumes and pricing:** In Q4 FY25, volumes de-grew 2.8% YoY to 8.6 million tonnes (excluding JPA tolling volumes), and for FY25, volumes grew 2% y-o-y. The company has not given a specific volume target, as the company aims to maintain a balance between volume and profitability. The company saw its overall prices rise by Rs 10-15 in April 2025, primarily driven by a substantial increase in the southern markets. The company's management believes these higher prices will hold.
- ♦ **Product and Sales Mix:** Premium Products contributed 24% of sales in Q4 FY25, up from 21% in Q4 FY24. Trade Mix increased to 67% in Q4 FY25 from 65% in Q4 FY24.
- ♦ **Cost Structure (Q4 FY25):**
 - ♦ **Raw Material Costs:** Decreased by 4% YoY to Rs.743/tonne, supported by reduced limestone and fly ash expenses.
 - ♦ **Fuel Costs:** Fell 7% YoY to Rs.945/tonne, aided by lower fuel prices and a higher renewable energy share (39% vs. 34% in Q4 FY24).
 - ♦ **Logistics Costs:** Dropped 2% YoY to Rs.1,135/tonne, aided by a shorter lead distance (277 km vs. 289 km in Q4 FY24), although Northeast shipments slightly raised costs.
- ♦ **Financial Incentives:** Q4 FY25: Dalmia received Rs.99 crore in incentives, with Rs.119 crore collected. Full-Year incentives total Rs.336 crore (collections of Rs.307 crore). FY2025-26. Incentives are expected to rise to Rs.400 crore, driven by long-term subsidies in Northeast India and Bihar.
- ♦ **Capex:** For FY25, capex of Rs.2,664 crore, primarily for Assam and Bihar units. For FY26, capex planned at Rs.3,500 crore for expansions in Belgaum, Pune, Northeast India, and maintenance projects.
- ♦ **Legal matter:** A 2011 CBI case resulted in a Rs.796 crore attachment order in 2025, related to an investment in a cement company. Dalmia expects no material impact and is pursuing legal recourse, viewing the matter as a routine transaction.
- ♦ **Tax rate:** The expected cash tax rate for FY26 is to be in high-single digits.

Results (Consolidated)

Particulars	Q4FY25	Q4FY24	Y-o-Y %	Q3FY25	Rs cr Q-o-Q %
Net Sales	4091	4307	-5.0%	3181	28.6%
Total Expenditure	3298	3653	-9.7%	2670	23.5%
Operating profits	793	654	21.3%	511	55.2%
Other Income	93	120	-22.5%	37	151.4%
EBITDA	886	774	14.5%	548	61.7%
Interest	105	94	11.7%	101	4.0%
PBDT	781	680	14.9%	447	74.7%
Depreciation	314	328	-4.3%	364	-13.7%
PBT	467	352	32.7%	83	462.7%
Tax	28	32	-12.5%	17	64.7%
Extraordinary items	0	0	NA	0	NA
Minority Interest	4	5		5	
Reported Profit After Tax	435	315	38.1%	61	613.1%
Adjusted PAT	435	315	38.1%	61	613.1%
EPS (Rs.)	23	17	38.1%	3	613.1%
			BPS		BPS
OPM	19.4%	15.2%	420 bps	16.1%	332 bps
PAT margin	10.6%	7.3%	332 bps	1.9%	872 bps
Tax rate	6.0%	9.1%	-310 bps	20.5%	-1449 bps

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Improving pricing and demand brightens outlook

The Indian cement has witnessed a lot of consolidation in the last few years with a slew of inorganic acquisitions happening. The consolidation and the weak demand have put a pressure on the pricing environment. But with the return of government capex, the demand and pricing are improving. The margins of the whole sector are expected to increase from here-on and will result in increase in profitability.

■ Company Outlook – Cost efficiencies and expansion plans to drive growth

Dalmia Bharat is one of the low cost cement producers in the company with an aim to further reduce its costs by Rs. 150-200/tonne in the next two years. The company would increase its cement capacity to 75 mn tonne by FY2028, from 49.5 mn tonne currently. The company has outlined its capital-allocation strategy over the next decade to increase capacity at a 16-17% CAGR to reach 110-130 mn tonne by 2031, which would be done through both organic and inorganic routes, maintaining net debt/EBITDA below 2x. The company aims to become a large pan-India player through both organic and inorganic routes.

■ Valuation – Retain BUY with a revised PT of Rs. 2,300

Dalmia is one of the low-cost cement producers in the country. The company will get the benefit of its cost reduction initiatives and it has guided for EBITDA/tonne to increase by Rs. 150-200/tonne in the next two years. The pricing environment has also improved and the company aims to balance its volume growth and profitability. Dalmia is currently trading at an EV/EBITDA of 12.4x/11x its FY2026E/FY2027E earnings. We retain our BUY rating on the stock with a revised price target (PT) of Rs. 2,300, giving it a 13x multiple on its FY27 EV/EBITDA.

About company

Founded in 1939, Dalmia Bharat Limited (BSE/NSE Symbol: DALBHARAT) is one of India's pioneering cement companies headquartered in New Delhi. With a growing capacity, currently pegged at 49.5 mt, Dalmia Bharat Limited (including its subsidiaries) is the fourth-largest cement manufacturing company in India by installed capacity. Spread across 10 states and 15 manufacturing units, Dalmia Cement (Bharat) Limited, a subsidiary of Dalmia Bharat Limited, prides itself at having one of the lowest carbon footprints in the cement world globally. It is the first cement company to commit to RE100, EP100 & EV100 (first triple joiner) – showing real business leadership in the clean energy transition by taking a joined-up approach.

Investment theme

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Key Risks

- ♦ Pressure on cement demand and cement prices in the east, northeast, and west can affect the company's financial performance.
- ♦ Macroeconomic challenges leading to lower government spending on infrastructure and housing sectors can negatively affect the company's performance.

Additional Data

Key management personnel

Name	Designation
Puneet Dalmia	CEO and MD
Dharmender Tuteja	CFO
Rajeev Kumar	Company Secre-tary

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp of India	5.09
2	SBI Funds Management Ltd	2.08
3	Nippon Life India Asset Management	2.04
4	ICICI Prudential Asset Management	1.90
5	Vanguard Group Inc/The	1.74
6	INVESTOR EDUCATION & PROTECTN FD	1.67
7	Franklin Resources Inc	1.19
8	FIL Ltd	1.07
9	UTI Asset Management Co Ltd	1.04
10	Mirae Asset Financial Group	0.71

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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