

CMP: INR 2,268

Rating: Buy

Target: INR 2,692

Stock Info

BSE	542216
NSE	DALBHARAT
Bloomberg	DALBHARA:IN
Sector	Cement
Face Value (INR)	2
Equity Capital (INR mn)	380
Mkt Cap (INR mn)	425,416
52w H/L (INR)	2,350/ 1,601
Avg Yearly Volume (in 000')	363

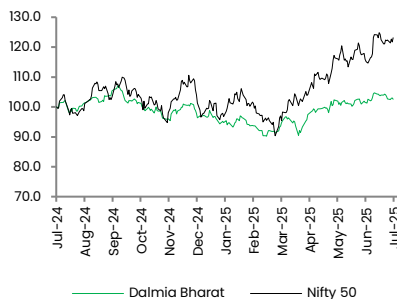
Shareholding Pattern %

(As on September, 2024)

Promoters	55.8
DII	17.4
FII	8.2
Public & Others	18.6

Stock Performance (%)	1m	6m	12m
DALBHARAT	9.5%	24%	27.5%
NIFTY	0.9%	8.7%	3%

DALBHARAT vs Nifty



Dalmia Bharat reported muted revenue in Q1FY26 numbers, Strong Margin Expansion Despite Volume Pressure. For Q1FY26, the company's revenue for Q1FY26 came in at INR 31,810 Mn, 36,360 Mn, an increase of 0.4% YoY / decrease of 11.1% QoQ as against the expectation of INR 37,142 Mn due to early rains. Its Sales Volume was at 7 MnT with de-growth of 5.5% YoY and de-growth of 18.6% QoQ, against our expectation of 7.4 MnT. Its realization stood at INR 5,194/T growth of 6.2% YoY/ growth of 9.2% QoQ as against expectation of INR 5,088/T, due to the price high in south market.

Operational Efficiency Drives Margin Gains in Q1FY26: On the operating front, EBITDA for Q1FY25 stood at INR 8,830 Mn, reflecting a YoY growth of 32% and QoQ growth of 11.3%, primarily impacted by Lower freight and fuel cost. The EBITDA margin growth of 581 bps YoY and 490 bps QoQ to 24.3%, above the margin expectation of 23%. PAT stood at INR 3950Mn for Q1FY26, growth of 172% YoY and de-growth of 10 % QoQ. PAT margin at 10.9%, improvement of 686bps YoY and growth of 13bps QoQ.

Capacity Expansion Aimed at Pan-India Dalmia Bharat is scaling up its cement capacity from 50 MTPA to 64 MTPA by FY28, targeting 75+ MTPA and eventually 100+ Mtpa by FY31. Key projects include a 3.6 MTPA clinker and 3 MTPA grinding unit at Belgaum (serving Karnataka and Southern Maharashtra), a 3.6 MTPA clinker and 6 MTPA grinding expansion at Kadapa with a 3 MTPA bulk terminal in Chennai, and a 3 MTPA greenfield grinding unit in Pune targeting Western Maharashtra. Additionally, a 6 MTPA greenfield plant in Jaisalmer is planned to enter North India, with land and mining lease secured. This expansion will enhance regional diversification, strengthen market position, and supports sustainable volume and margin growth.

Focus on Brand Strength and Premium Product Strategy- The company is shifting its focus from pure volume growth to profitable growth by strengthening its brand equity and improving sales quality. This is reflected in higher realizations, supported by a growing share of premium products (22%) and increased trade sales (68% vs. 64% YoY). The company is also phasing out low-margin segments and using micro-market strategies to improve NSR and long-term EBITDA per ton.

Outlook & Valuation: Dalmia Bharat's growth visibility remains robust, driven by industry-leading cost efficiency, strong realization gains from premiumization, and disciplined capacity expansion. With 14–14.5 MTPA of capacity addition guided by FY28, the company is set to benefit from demand recovery post-monsoon and improving price discipline. Ongoing cost optimization, higher trade/premium mix, and increased realisation, usage further support EBITDA margin expansion. On the financial front, we expect its revenue/EBITDA to grow by 11%/13.5% CAGR over FY26E-28E and maintain our Buy rating with the target price of INR 2,692.

Key Financials

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Net revenue	1,46,910	1,39,800	1,58,958	1,71,964	1,95,449
EBITDA	26,390	24,070	30,760	34,206	39,659
EBITDAM (%)	18.0	17.2	19.4	19.9	20.3
APAT	8,540	6,990	8,207	9,094	10,257
APATM (%)	5.8	5.0	5.2	5.3	5.2
EPS (Rs)	44.9	36.8	43.2	47.9	54.0
EV/EBITDA	15.3	17.0	13.6	11.9	10.3
RoE (%)	5.2	4.0	4.6	4.9	5.3

Source: Arihant Research, Company Filings

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Q1FY26 Concall Highlights**Outlook-**

Dalmia Bharat has started FY26 on a positive note, buoyed by India's strong economic growth and cement sector demand expected to grow 6-7% in FY26, supported by government infrastructure spending and a robust housing sector. Though Q1 demand was slower due to early monsoons and regional variances, demand is expected to accelerate post-monsoon. The company remains focused on long-term expansion to become a Pan India player, with a clear philosophy to either enter new regions or deepen presence in existing high-utilization markets. Key to strategy is balancing profitable volume growth with margin enhancement through premiumization of product mix and strengthening brand equity.

Financial Highlights-

- Revenue is INR 36,3600 Mn in Q1 FY26, relatively flat year-on-year given volume and mix impacts.
- EBITDA for the quarter INR 8,830 Mn, a 32% YoY increase, driven by improved pricing and better sales quality.
- EBITDA Margin is 24.3%, a sharp rise of ~5.8 percentage points YoY.-
- EBITDA per ton is INR 1,261, up 40% YoY.
- Sales Volume is 7 mnt in Q1FY26, flat excluding tolling volumes from last year.
- Raw material cost has increased by 8.5% to INR 791/ton due to Tamil Nadu mineral tax.
- Power & fuel cost is slight decline to INR 981/ton, aided by reduced fuel rates and increased renewable energy usage (41% renewable consumption).
- Logistics cost rose marginally to INR 1,135/ton; direct dispatch improved to 62% despite longer lead distances.
- Net Debt: INR 8730 Mn, with gross debt at INR 64,560 Mn; Net Debt/EBITDA at a low 0.33x.
- Incentive Accruals: INR 840 Mn accrued and INR 420 Mn collected in Q1; balances include government dues from West Bengal.

Key Highlights-**Expansion Plans:**

- Cement capacity to reach approximately 63.5-64 mnt by FY28 through projects in Belgaum, Pune, Kadapa, and Umrangso.
- Investment of INR 32,870 Mn approved for Kadapa expansion (3.6 MT clinker + 6 MT grinding) and 3 MT bulk terminal in Chennai.
- Land acquisition and EC for Jaisalmer plant (6 MT) nearly complete; commissioning targeted for FY28, but start depends on potential acquisition of Jaiprakash Associates assets.
- Northeast expansion will make company clinker surplus, with additional grinding capacity planned.- Pricing and Market Strategy
- Cement prices improved in southern and eastern regions despite early monsoon; spot prices stable around Q1 averages.
- Focus on price realization and premium product mix (approx. 22% of sales), deepened brand engagement, and disciplined dealer network management.
- Preference to prioritize profitable volume growth over raw volume gain, leading to a deliberate strategy of selective market presence and elevated brand positioning.

Capex and Funding:

- INR 6,120 Mn spent in Q1 on Umrangso clinker line and Belgaum-Pune project; FY26 capex expected around INR 40,000 Mn, funded by internal accruals and debt.
- Capex split: About 75-80% on growth projects and balance for maintenance, renewable energy, and ROI improvements.
- Cost Optimization:
- Commitment to reduce costs by INR 150-200/ton over next three years through renewables, fuel efficiency, and logistics improvements.
- Renewable energy capacity increased by 26 MW via OpEx model.
- Incremental savings expected in H2 FY26 and onward.

Legal and Regulatory

- Company contesting West Bengal government's revocation of incentive schemes and an income tax dispute from FY11 with interim stay granted.
- Kadapa limestone mine provisional attachment challenged; operations remain unaffected with no risk to expansion plans.

Operational Efficiency:

- Trade sales share improved to 68% (from 64%) with direct dispatch rising, enhancing profitability and sales quality.
- Inventory build-up in Q1 is seasonal, typical for the industry, not a red flag.
- Strategic Priorities- Build capacity across India while maintaining a diversified geographic footprint to mitigate demand risks.
- Strengthen brand equity and distribution network to improve price realization and sales productivity.
- Deepen cost leadership and operational efficiencies to sustain and enhance margins.
- Nurture a strong leadership pipeline and focus on organizational culture to drive long-term growth.
- Maintain disciplined capital allocation framework with net debt-to-EBITDA safely below 2x despite significant capex plans.
- This mix of strategic expansions, margin focus, cost discipline, and robust financial health position Dalmia Bharat well for growth and value creation through FY26 and beyond. The company's structural advantages and long-term vision align with India's expected infrastructure and housing-led cement demand growth.

Q1FY26 - Quarterly Performance (Consolidated)

Particulars	Q1FY26	Q1FY25	Y-o-Y %	Q4FY25	Q-o-Q %
Net Sales	36360	36210	0.4	40910	-11.1
Cost of Raw Materials	5680	5790	-1.9	6240	-9.0
Purchase of Finished Goods	0	1060	-100.0	0	
(Increase) / Decrease In Stocks	-1010	-800	26.3	1420	-
Total Raw material cost	4670	6050	-22.8	7660	-39.0
Gross Profit	31690	30160	5.1	33250	-4.7
Gross Margins %	87.2	83.3	386bps	81.3	588bps
Employee Cost	2270	2280	-0.4	2150	5.6
Power & Fuel	7250	7570	-4.2	7730	-6.2
Frieght & Forwarding	7950	8300	-4.2	9720	-18.2
Other Expense	5390	5320	1.3	5720	-5.8
Total Expenditure	27530	29520	-6.7	32980	-16.5
EBITDA	8830	6690	32.0	7930	11.3
EBITDA Margins (%)	24.3	18.5	581bps	19.4	490bps
Depreciation	3220	3170	1.6	3140	2.5
EBIT	5610	3520	59.4	4790	17.1
Other Income	490	500	-2.0	930	-47.3
Interest	1080	950	13.7	1050	2.9
PBT	5020	3070	63.5	4670	7.5
Shares of profits	160	-1130	-	0	-
PBT	5180	1940	167.0	4670	10.9
Tax	1230	490	151.0	280	339.3
PAT	3950	1450	172.4	4390	-10.0
PAT Margin (%)	10.9	4.0	686bps	10.7	13bps
EPS	379	258	46.9	439	-13.7
Particulars	Q1FY26	Q1FY25	Y-o-Y %	Q4FY25	Q-o-Q %
Sales Volume (MT)	7.00	7.40	(5.4)	8.60	(18.6)
Blended Realization (Rs)	5194	4893	6.2	4757	9.2
EBITDA/Ton (Rs)	1261	904	39.5	922	36.8
Total Cost/Ton (Rs)	3933	3989	(1.4)	3835	2.6
Fuel Cost/Ton (Rs)	1036	1023	1.2	899	15.2
Frieght & Forwarding/Ton (Rs)	1136	1122	1.3	1130	0.5

Source: Arianth Research, Company Filings

Profit & Loss Statement (Consolidated)

Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Net sales	1,46,910	1,39,800	1,58,958	1,71,964	1,95,449
Expenditure					
Cost of materials	21,200	22,410	22,254	24,075	27,363
Purchase of stock in trade	5,670	1,060	4,673	4,987	5,668
(Increase) / Decrease In Stocks	160	(190)	173	187	213
Total raw materials	27,030	23,280	27,101	29,249	33,244
Employee cost	8710	8850	10809	11694	13291
Fuel cost	31160	29030	33063	35253	39676
Frieght & Forwarding	32030	32860	34176	36800	41631
Other expenses	21590	21710	23049	24763	27949
Total expenditure	1,20,520	1,15,730	1,28,198	1,37,758	1,55,791
EBITDA	26,390	24,070	30,760	34,206	39,659
EBITDAM (%)	18%	17%	19%	20%	20%
Depreciation	14,980	13,310	15,896	17,196	19,545
PBIT	11,410	10,760	14,864	17,009	20,114
Other income	3,150	2,530	2,384	2,579	2,932
Interest expenses	3,860	3,990	6,861	8,077	10,062
PBT	10,700	9,300	10,388	11,511	12,984
Tax	2,160	1,180	2,181	2,417	2,727
Reported PAT	8,540	8,120	8,207	9,094	10,257
Exceptional Income / Expenses	0	-1130	0	0	0
PAT (after Exceptional)	8,540	6,990	8,207	9,094	10,257
PAT Margin %	6%	5%	5%	5%	5%
EPS	44.9	36.8	43.2	47.9	54.0

Balance Sheet (Consolidated)

Source: Arianth Research, Company Filings

Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Source funds					
Share Capital	380	380	380	380	380
Reserves & Surplus	1,63,590	1,73,360	1,79,648	1,86,633	1,94,591
Net worth	1,63,970	1,73,740	1,80,028	1,87,013	1,94,971
Minority Interest	1,100	1,260	1,100	1,100	1,100
Long term borrowings	44,310	46,050	58,815	65,346	76,225
Short term borrowing	1,990	6,530	7,153	8,082	9,772
Total Debt	46,300	52,580	65,968	73,429	85,998
Deferred tax liabilities	20,380	21,900	20,665	22,355	25,408
Long term provision	2,640	3,130	2,543	2,751	3,127
Other long term liabilities	2,780	5,490	2,861	3,095	3,518
Total	25,800	30,520	26,069	28,202	32,054
Current Liabilities					
Trade payables	13,160	15,390	17,499	18,931	21,516
Short term provisions	810	1,150	876	948	1,078
Other current liabilities	26,350	27,620	25,433	27,514	31,272
Total	40,320	44,160	43,809	47,393	53,866
Total liabilities	2,77,490	3,02,260	3,16,973	3,37,136	3,67,988
Application of Funds					
Net Block	1,50,440	1,64,780	1,76,126	1,76,126	1,76,126
Current work in process	22,840	24,970	24,970	24,970	24,970
Goodwill	5,270	3,740	3,740	3,740	3,740
Non current investment	5,900	6,750	7,153	7,738	8,795
Tax assets	1,400	1,500	1,706	1,845	2,097
Long term loans and advances	130	140	159	172	196
Other non-current assets	10,240	11,510	13,087	14,158	16,092
Total	1,96,220	2,13,390	2,26,941	2,28,749	2,32,015
Current Assets					
Current investments	38,720	44,440	33,381	36,112	41,044
Inventories	12,180	13,860	15,759	17,049	19,377
Trade receivables	8,360	8,890	8,710	9,894	11,781
Cash balance	3,410	7,310	13,398	31,279	42,165
Bank balance	2,410	-	90	-	90
Short term loans and advances	90	120	97	105	120
Other current assets	13,120	14,100	12,717	13,757	15,636
Assets or disposal group	260	150	150	110	30
Total	78,550	88,870	84,302	1,08,307	1,30,243
Total assets	2,74,770	3,02,260	3,11,243	3,37,056	3,62,258

Source: Arianth Research, Company Filings

Cash Flow Statement (consolidated)

Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	10,700	9,300	10,388	11,511	12,984
Add: Depreciation	14,980	13,310	15,896	17,196	19,545
Add: Interest cost	3,860	3,990	6,861	8,077	10,062
Less: Other Income	(1,750)	(1,090)	(596)	(645)	(733)
Less: Dividend Income	(340)	(490)	(191)	(206)	(235)
Others	(1,020)	(840)	-	10	20
Operating profit before working capital changes	26,430	24,180	32,358	35,944	41,643
Changes in working capital	460	(2,300)	(6,918)	972	2,007
Cash from Operations	26,890	21,880	25,440	36,916	43,650
Less: Taxes	(540)	(710)	(2,181)	(2,417)	(2,727)
Cash flow from Operations	26,350	21,170	23,259	34,499	40,923
Net cash used in Investing					
Fixed assets	(28,270)	(26,640)	(27,241)	(17,196)	(19,545)
Purchase of investments	1,340	610	10,656	(3,316)	(5,989)
Other & Dividend Income	1,340	1,360	787	851	967
Others	(1,910)	1,970	-	10	20
Cash flow from investing	(27,500)	(22,700)	(15,799)	(19,652)	(24,546)
Cash flow from Financing					
Proceeds from Equity shares	30	-	-	-	-
Sales of Borrowings	8,890	6,480	13,388	7,471	12,589
Dividend (Incl dividend tax)	(1,690)	(1,690)	(1,919)	(2,109)	(2,299)
	-	-	-	-	-
Others	(490)	(540)	(160)	-	-
Cash flow from Financing	2,220	(390)	4,448	(2,715)	228
Net cash Inflow/Outflow	1,070	(1,920)	11,908	12,132	16,605
Opening cash	2,340	3,410	1,490	13,398	25,540
Closing cash	3,410	1,490	13,398	25,530	42,145

Ratio Analysis

Source: Arian Research, Company Filings

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Per share Data					
EPS (Rs)	44.9	36.8	43.2	47.9	54.0
Book value per share (Rs)	863.0	914.4	947.5	984.3	1026.2
Dividend per share (Rs)	8.9	10.1	10.1	11.1	12.1
Dividend Yield (%)	0.5	0.5	0.5	0.6	0.6
Dividend Payout (%)	19.8	27.5	23.4	23.2	22.4
Profitability Ratios					
EBITDAM(%)	18.0	17.2	19.4	19.9	20.3
PBTM (%)	7.3	6.7	6.5	6.7	6.6
NPM (%)	5.8	5.0	5.2	5.3	5.2
RoE (%)	5.2	4.0	4.6	4.9	5.3
RoCE (%)	5.4	4.8	6.0	6.5	7.2
Efficiency Data					
Debt-Equity (x)	0.3	0.3	0.4	0.4	0.4
Debt/EBITDA (x)	1.8	2.2	2.1	2.1	2.2
Interest Cover (x)	3.0	2.7	2.2	2.1	2.0
Fixed Asset (x)	1.0	1.2	1.1	1.0	0.9
Debtors (Days)	20.8	23.2	20.0	21.0	22.0
Inventory (Days)	30.3	36.2	36.2	36.2	36.2
Payable (Days)	32.7	40.2	40.2	40.2	40.2
WC (Days)	18.3	19.2	16.0	17.0	18.0
Valuation					
P/E (x)	42.7	52.1	44.4	40.1	35.5
P/BV	2.2	2.1	2.0	1.9	1.9
EV/EBITDA	15.3	17.0	13.6	11.9	10.3
EV/Sales	2.8	2.9	2.6	2.4	2.1

Source: Arian Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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