

**CMP: INR 1,852**

**Rating: Buy**

**Target: INR 2,394**

**Stock Info**

BSE	542216
NSE	DALBHARAT
Bloomberg	DALBHARA:IN
Sector	Cement
Face Value (INR)	2
Equity Capital (INR mn)	380
Mkt Cap (INR mn)	347,020
52w H/L (INR)	2,431/ ,651
Avg Yearly Volume (in 000')	52

**Shareholding Pattern %**

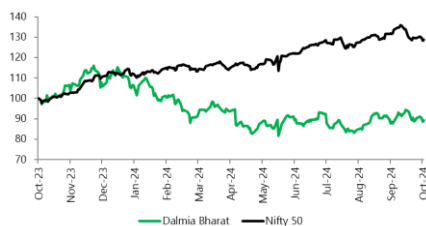
(As on September, 2024)

Promoters	55.8
DII	8.9
FII	14.7
Public & Others	20.5

**Stock Performance (%) 1m 6m 12m**

DALBHARAT	-3.4%	-6.4%	-22.2%
NIFTY	-4.6%	10.8%	13.8%

**DALBHARAT vs Nifty**



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Dalmia Bharat reported muted Q2FY25 numbers wherein topline was in-line with our estimates while operating performance below our estimates. For Q2FY25, the company's revenue for Q2FY25 came in at INR 30,870 Mn, de-growth of 2% YoY/ de-growth of 14.7% QoQ as against expectation of INR 31,780 Mn due to softness in cement prices. Its sales volume was at 6.7 MnT with growth of 8.1% YoY and de-growth of 9.5% QoQ as against expectation of 6.8MnT. Its realization stood at INR 4,607/T de-growth of 9.3% YoY/ degrowth of 5.8% QoQ as against expectation of INR 4,673/T. Its total cost/t was at INR 3,960/t which was a decline of 4.1% YoY and marginal decline of 0.7% QoQ. EBITDA/ton was at INR 648/T, decline of 31.8% YoY/decline of 28.3% QoQ.

**Decline in raw material led to improvement in gross margins:** Gross profit came in at INR 26,420 Mn, which was a growth of 1% YoY and a decline of 12.4% QoQ. Further, its gross margin saw a steady improvement as raw material cost witnessed a decline of 16.5% YoY and 26.4% QoQ during Q2FY25. Thus, gross margin came in at 85.6%, an improvement of 251bps YoY and 229bps QoQ as against margin expectation of 85%.

**Operating performance remains muted:** On operating front, EBITDA for Q2FY25 stood at INR 4,340 Mn, de-growth of 26.3% YoY and 35% QoQ due to higher freight & other expenses due to shut down and softness in cement prices as well as muted volume growth for the quarter. Thus, EBITDA margin witnessed a decline of 465bps YoY and decline of 442bps QoQ to 14.1% as against margin expectation of 18%. PAT stood at INR 490 Mn which saw a de-growth of 60.5% YoY and 66.2% QoQ while PAT margin came in at 1.6%, decline of 235bps YoY and decline of 242bps QoQ.

**Capacity expansion plan for FY28 continuous:** Dalmia Bharat capacity expansion plan mentioned in the last quarter is well on track. It aims to achieve 49.5MnT by FY25 by expansion in East and North East region and also has plans to achieve ~75MnT by FY28 via from current capacity of 46.6MnT.

**Outlook & Valuation:** Dalmia Bharat reported muted set of numbers for Q2FY25 while going ahead H2FY25 is expected to see improvement led by positive demand and price outlook. Also, management remains positive on the growth prospects of the cement industry as there are opportunities which would be driven by real-estate & infrastructure development as well as private capex investment. The company focus remains on driving volume led growth, improve utilization and continuous capacity addition is positive.

On the financial front, we expect its revenue/EBITDA to grow by 11.3%/15.6% CAGR over FY24-26E and maintain our **Buy** rating with the target price of **Rs 2,394**.

**Key Financials**

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E
Net revenue	135,520	146,910	164,866	182,125
EBITDA	23,280	26,390	30,321	35,243
EBITDAM (%)	17.2	18.0	18.4	19.4
APAT	1083.0	854.0	1134.9	1534.2
APATM (%)	8.0	5.8	6.9	8.4
EPS (Rs)	58.5	44.9	59.7	80.7
EV/EBITDA	16.2	14.9	13.0	11.1
RoE (%)	7.2	5.2	6.5	8.2

Source: Arihant Research, Company Filings

**Q2FY25 Concall Highlights**

The management expect positive medium to long term growth of cement industry. For the company, the plan is to expand capacity to 49.5MnT by FY25 & 75MnT by FY28, along with improvement in utilization levels. Further with increase in demand & prices in H2FY25, mid to higher single digit volume growth is expected for FY25.

**Management outlook:**

- Cement Industry's long term prospect seems to be positive and H2 will see bounce back in terms of demand.
- Demand & price environment was weak for H1 but H2 is expected to improve with volume growth at ~8%.
- For FY25, volume growth expected to be ~6-7%, driven by pickup in construction, real-estate and private capex spends.

**Capacity expansion plan:**

- The company's current capacity is at 46.6MnT.
- For FY25, it is expected to reach ~49.5MnT with expansion of 0.5MnT in East and 2.4MnT in North East and for FY28 their plan is to reach ~75MnT via greenfield and brownfield expansion.
- For FY25, the company plans to spend ~INR 30,000Mn capex and for H1FY25 the company has already spend INR 13,860Mn.

**Other Highlights:**

- The company's medium to long term strategy is to repositioned Dalmia Brand and charge better prices as compared peers. Also, the plan is to review and act market by market and focus on improving CC ratio.
- Besides, the plan is to continue to focus on brand building and distribution activity. Also, add capacity in the regions where the company has lower presence.
- The company aims to reach EBITDA/T to INR 900-1000/T in the next few years.
- South and East saw 5-7% decline of prices QoQ
- For Q2FY25, industry growth is in lower single digit and utilization is ~67%.
- RE capacity is expected to reach 341 MW by end of FY25.
- RE power share is 39% and expected to reach 45% in FY25 and by ~50% in FY26.
- For Q2FY25, premium share is 22.4%, Lead distance is ~280kms, CC ratio is 1.64x and Rail & Road mix is 15% & 85%.
- Trade & Non-Trade mix is 63% & 37% in Q2FY25. In Q1FY25, mix was 64% & 36% while for Q2FY24 it was 68% & 32%, respectively.
- In the next few quarters, the company would provide more details on their upcoming capex plan till FY28.
- Top players are growing faster than small players and consolidation will continue going ahead thus the combined share from the top 4 players will be 60%.

## Q2FY25 - Quarterly Performance (Consolidated)

Particulars (INR Mn)	Q2FY25	Q2FY24	Y-o-Y %	Q1FY25	Q-o-Q %
<b>Net Sales</b>	<b>30870</b>	<b>31490</b>	<b>(2.0)</b>	<b>36210</b>	<b>(14.7)</b>
Cost of Raw Materials	5280	4550	16.0	5790	(8.8)
(Increase) / Decrease In Stocks	-830	-390	112.8	-800	-
<b>Total Raw material cost</b>	<b>4450</b>	<b>5330</b>	<b>(16.5)</b>	<b>6050</b>	<b>(26.4)</b>
<b>Gross Profit</b>	<b>26,420</b>	<b>26,160</b>	<b>1.0</b>	<b>30,160</b>	<b>(12.4)</b>
Gross Margins %	85.6	83.1	251bps	83.3	229bps
Employee Cost	2190	2260	(3.1)	2280	(3.9)
Fuel Cost	7070	6980	1.3	7570	(6.6)
Frieght & Forwarding	7360	6310	16.6	8300	(11.3)
Other Expenses	5460	4720	15.7	5320	2.6
<b>Total Expenditure</b>	<b>26,530</b>	<b>25,600</b>	<b>3.6</b>	<b>29,520</b>	<b>(10.1)</b>
<b>EBITDA</b>	<b>4,340</b>	<b>5,890</b>	<b>(26.3)</b>	<b>6,690</b>	<b>(35.1)</b>
<i>EBITDA Margins (%)</i>	<i>14.1</i>	<i>18.7</i>	<i>-465bps</i>	<i>18.5</i>	<i>-442bps</i>
Depreciation	3360	4010	(16.2)	3170	6.0
EBIT	980	1880	(47.9)	3520	(72.2)
Other Income	730	850	(14.1)	500	46.0
Interest	980	1010	(3.0)	950	3.2
PBT	730	1720	(57.6)	3070	(76.2)
Exceptional items	0	0	-	-1130	-
PBT	730	1720	(57.6)	1940	(62.4)
Tax	240	480	(50.0)	490	(51.0)
<b>Reported PAT</b>	<b>490</b>	<b>1240</b>	<b>(60.5)</b>	<b>1450</b>	<b>(66.2)</b>
<i>PAT Margin (%)</i>	<i>1.6</i>	<i>3.9</i>	<i>-235bps</i>	<i>4.0</i>	<i>-242bps</i>
Adj. PAT	490	1240	(60.5)	2580	(81.0)
<i>Adj. PAT Margin (%)</i>	<i>1.6</i>	<i>3.9</i>	<i>-235bps</i>	<i>7.1</i>	<i>-554bps</i>
EPS	2.6	6.5	(60.5)	7.6	(66.2)

Source: Arianth Research, Company Filings

Particulars	Q2FY25	Q2FY24	Y-o-Y %	Q1FY25	Q-o-Q %
Sales Volume (MT)	6.7	6.2	8.1	7.4	(9.5)
Realization/Ton (Rs)	4,607	5,079	(9.3)	4,893	(5.8)
EBITDA/Ton (Rs)	648	950	(31.8)	904	(28.3)
Total Cost/Ton (Rs)	3,960	4,129	(4.1)	3,989	(0.7)
Fuel Cost/Ton (Rs)	1,055	1,126	(6.3)	1,023	3.2
Frieght & Forwarding/Ton (Rs)	1,099	1,018	7.9	1,122	(2.1)

Source: Arianth Research, Company Filings

## Profit &amp; Loss Statement (Consolidated)

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E
Net sales	135,520	146,910	164,866	182,125
<b>Expenditure</b>				
Cost of materials	19,060	21,200	23,411	25,498
Purchase of stock in trade	520	5,670	5,441	5,354
(Increase) / Decrease In Stocks	230	160	180	198
<b>Total raw materials</b>	<b>19,810</b>	<b>27,030</b>	<b>29,031</b>	<b>31,050</b>
<b>Gross Profit</b>	<b>115,710</b>	<b>119,880</b>	<b>135,835</b>	<b>151,075</b>
Gross Profit M (%)	85.4	81.6	82.4	83.0
Employee cost	7,710	8,710	11,211	12,385
Fuel cost	36,790	31,160	34,622	37,882
Freight & Forwarding	28,020	32,030	35,611	39,157
Other expenses	19,910	21,590	24,070	26,408
<b>Total expenditure</b>	<b>112,240</b>	<b>120,520</b>	<b>134,545</b>	<b>146,882</b>
<b>EBITDA</b>	<b>23,280</b>	<b>26,390</b>	<b>30,321</b>	<b>35,243</b>
<b>EBITDAM (%)</b>	<b>17.2</b>	<b>18.0</b>	<b>18.4</b>	<b>19.4</b>
Depreciation	13,050	14,980	15,333	15,481
PBIT	10,230	11,410	14,988	19,763
Other income	1,260	3,150	3,297	3,460
Interest expenses	2,340	3,860	3,919	3,803
PBT	9,150	10,700	14,366	19,420
Tax	2,420	2,160	3,017	4,078
<b>Reported PAT</b>	<b>6,730</b>	<b>8,540</b>	<b>11,349</b>	<b>15,342</b>
Exceptional Income / Expenses	4,100	-	-	-
<b>PAT (after Exceptional)</b>	<b>10,830</b>	<b>8,540</b>	<b>11,349</b>	<b>15,342</b>
<b>PAT Margin %</b>	<b>8.0</b>	<b>5.8</b>	<b>6.9</b>	<b>8.4</b>
<b>EPS</b>	<b>58.5</b>	<b>44.9</b>	<b>59.7</b>	<b>80.7</b>

Source: Arihant Research, Company Filings

## Balance Sheet (Consolidated)

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E
<b>Source funds</b>				
Share Capital	370	380	380	380
Reserves & Surplus	155,910	163,590	173,020	186,443
<b>Net worth</b>	<b>156,280</b>	<b>163,970</b>	<b>173,400</b>	<b>186,823</b>
Minority Interest	1,160	1,100	1,100	1,100
Long term borrowings	32,100	44,310	44,514	40,068
Short term borrowing	5,320	1,990	2,143	2,186
<b>Total Debt</b>	<b>37,420</b>	<b>46,300</b>	<b>46,657</b>	<b>42,253</b>
<b>Loans &amp; advances</b>				
Long term provision	2,360	2,640	2,963	2,914
Other long term liabilities	2,590	2,780	3,120	3,278
<b>Total</b>	<b>24,000</b>	<b>25,800</b>	<b>27,845</b>	<b>29,869</b>
<b>Current Liabilities</b>				
Trade payables	11,350	13,160	14,768	16,315
Short term provisions	840	810	909	1,004
Other current liabilities	24,380	26,350	28,027	29,140
<b>Total</b>	<b>36,570</b>	<b>40,320</b>	<b>43,705</b>	<b>46,459</b>
<b>Total liabilities</b>	<b>255,430</b>	<b>277,490</b>	<b>292,707</b>	<b>306,503</b>
<b>Application of Funds</b>				
Net Block	140,650	153,160	162,831	173,919
Current work in process	18,590	22,840	22,840	22,840
Goodwill	7,300	5,270	5,270	5,270
Non current investment	5,900	5,900	7,419	8,196
Tax assets	1,640	1,400	1,571	1,736
Long term loans and advances	110	130	146	161
Other non-current assets	7,740	10,240	11,492	12,695
<b>Total</b>	<b>181,930</b>	<b>198,940</b>	<b>211,568</b>	<b>224,816</b>
<b>Current Assets</b>				
Current investments	29,350	38,720	38,743	38,246
Inventories	13,160	12,180	13,669	15,100
Trade receivables	7,000	8,360	9,034	9,979
Cash balance	2,340	3,410	2,908	1,010
Bank balance	510	2,410	2,670	2,670
Short term loans and advances	80	90	101	112
Other current assets	12,160	13,120	14,014	14,570
Assets or disposal group	8,900	260	-	-
<b>Total</b>	<b>73,500</b>	<b>78,550</b>	<b>81,139</b>	<b>81,687</b>
<b>Total assets</b>	<b>255,430</b>	<b>277,490</b>	<b>292,707</b>	<b>306,503</b>

Source: Arihant Research, Company Filings

## Cash Flow Statement (consolidated)

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E
<b>Profit before tax</b>	<b>13,210</b>	<b>10,690</b>	<b>14,366</b>	<b>19,420</b>
Add: Depreciation	13,050	14,980	15,333	15,481
Add: Interest cost	2,310	3,860	3,919	3,803
Less: Other Income	-660	-1,750	-824	-865
Less: Dividend Income	-190	-340	-264	-277
Others	-4,290	-1,010	0	0
<b>Operating profit before WC changes</b>	<b>23,430</b>	<b>26,430</b>	<b>32,530</b>	<b>37,562</b>
Changes in working capital	-770	460	924	451
<b>Cash from Operations</b>	<b>22,660</b>	<b>26,890</b>	<b>33,454</b>	<b>38,013</b>
Less: Taxes	-140	-540	-3,017	-4,078
<b>Cash flow from Operations</b>	<b>22,520</b>	<b>26,350</b>	<b>30,437</b>	<b>33,935</b>
Cash flow from investing	-23,260	-27,500	-25,457	-25,707
Cash flow from Financing	1,680	2,220	-5,481	-10,126
<b>Net cash Inflow/Outflow</b>	<b>940</b>	<b>1,070</b>	<b>-502</b>	<b>-1,898</b>
Opening cash	1,400	2,340	3,410	2,908
<b>Closing cash</b>	<b>2,340</b>	<b>3,410</b>	<b>2,908</b>	<b>1,010</b>

Source: Arihant Research, Company Filings

## Ratio Analysis

Particulars	FY23	FY24	FY25E	FY26E
<b>Per share Data</b>				
EPS (Rs)	58.5	44.9	59.7	80.7
Book value per share (Rs)	844.8	863.0	912.6	983.3
Dividend per share (Rs)	9.1	8.9	10.1	10.1
Dividend Yield (%)	0.5	0.5	0.5	0.5
Dividend Payout (%)	15.0	19.8	16.9	12.5
<b>Profitability Ratios</b>				
EBITDAM(%)	17.2	18.0	18.4	19.4
PBTM (%)	6.8	7.3	8.7	10.7
NPM (%)	8.0	5.8	6.9	8.4
RoE (%)	7.2	5.2	6.5	8.2
RoCE (%)	5.3	5.4	6.8	8.6
<b>Efficiency Data</b>				
Debt-Equity (x)	0.2	0.3	0.3	0.2
Debt/EBITDA (x)	1.6	1.8	1.5	1.2
Interest Cover (x)	4.4	3.0	3.8	5.2
Fixed Asset (x)	1.0	1.0	1.0	1.0
Debtors (Days)	18.9	20.8	20.0	20.0
Inventory (Days)	35.4	30.3	30.3	30.3
Payable (Days)	30.6	32.7	32.7	32.7
WC (Days)	23.7	18.3	17.6	17.6
<b>Valuation</b>				
P/E (x)	31.6	41.2	31.0	22.9
P/BV	2.2	2.1	2.0	1.9
EV/EBITDA	16.2	14.9	13.0	11.1
EV/Sales	2.8	2.7	2.4	2.1

Source: Arihant 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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