

# Dalmia Bharat

**BSE SENSEX** 62,131  
**S&P CNX** 18,497

**CMP: INR1,906 TP: INR2,000 (+5%)**

**Buy**



## Stock Info

Bloomberg	DALBHARA IN
Equity Shares (m)	187
M.Cap.(INRb)/(USDb)	357.3 / 4.3
52-Week Range (INR)	2103 / 1213
1, 6, 12 Rel. Per (%)	14/33/-5
12M Avg Val (INR M)	461
Free float (%)	44.1

## Financials Snapshot (INR b)

Y/E MARCH	FY23E	FY24E	FY25E
Sales	129.0	139.3	156.5
EBITDA	21.7	27.3	33.1
Adj. PAT	6.1	7.6	10.6
EBITDA Margin (%)	16.8	19.6	21.1
Adj. EPS (INR)	32.8	40.8	56.6
EPS Gr. (%)	-17.2	24.3	38.9
BV/Sh. (INR)	860.0	887.8	931.4

## Ratios

Net D:E	-0.0	0.0	0.0
RoE (%)	3.9	4.7	6.2
RoCE (%)	3.8	4.9	6.0
Payout (%)	30.5	31.9	23.0

## Valuations

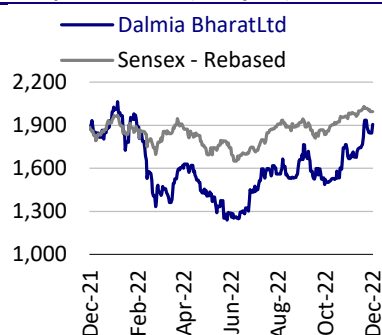
P/E (x)	58.1	46.7	33.6
P/BV (x)	2.2	2.1	2.0
EV/EBITDA(x)	15.5	13.0	10.4
EV/ton (USD)	102	89	86
Div. Yield (%)	0.5	0.7	0.7
FCF Yield (%)	-1.9	-1.7	0.8

## Shareholding pattern (%)

As On	Sep-22	Jun-22	Sep-21
Promoter	55.9	55.9	56.0
DII	8.3	7.3	6.1
FII	12.3	12.6	13.8
Others	23.5	24.2	24.2

FII Includes depository receipts

## Stock performance (one-year)



## Forays into Central India through acquisitions

- DALBHARA has entered into a binding framework agreement with JP group for the acquisition of clinker, cement, and power plants from Jaiprakash Associates (JPA) and its associate company. The company is set to acquire Clinker/Cement/PPP capacity of 6.7mtpa/9.4mtpa/280MW, respectively, at an enterprise value to INR56.7b (translates into USD73/t).
- The management had earlier indicated its aim to reach a grinding capacity of 70-75mtpa by FY27E. The completion of this acquisition will enable the company to enter into Central India with material capacity share of ~10% (on current installed capacities in Central India) and one step forward toward becoming a Pan-India player.
- The acquisition is subject to due-diligence, requisite approvals from lenders /JV partners of JPA, and regulatory authorities. As such the management has not guided for any timeline for the completion of the transaction.
- The stock trades at 13x/10.4x FY24E/FY25 EV/EBITDA and EV/t of USD89/86, respectively. It has traded at an average EV/EBITDA of 10.4x/9.3x over the last 5/10 years. We reiterate our Buy rating on the stock with a TP of INR2,000.

## Central India is an attractive market with favorable demand-supply

- Central India has one of the lowest per capita cement consumptions at ~170kg v/s industry average of ~250kg in the entire country. Central India cement demand (~54mt) represents ~15% of the country's total cement demand.
- M&A activity in the sector has led to increased consolidation in Central India. Currently, ~76% (FY23E) of capacity share in the region is held by the top five players. Central India's capacity utilization stands at ~75%.
- Central India has witnessed the entry of new players (SGC, JKCE, JKLC, etc.) in the recent past. Recently, JSW Cement has also [acquired](#) limestone reserves from ICEM and [announced](#) its plans to set up a grinding capacity of 5mtpa.
- We estimate Central India to register effective supply addition CAGR of ~9% over FY22-25E, while demand CAGR is expected to be 7-8% over the same period.

## DALBHARA may achieve 59mtpa capacity by FY24E

- DALBHARA plans to expand its grinding capacity to 49mtpa from its current capacity of 37mtpa by FY24E. Post completion of the ongoing expansions and acquisition as announced today, DALBHARA's grinding capacity will increase to ~59mtpa by FY24E (the third largest player in the country, based on the expansion plans announced by the industry players).
- As of Sep'22, DALBHARA net debt stood at INR25.4b (excluding MTM value of IEX investment) and net debt to EBITDA was at 1.2x (on 12-m trailing EBITDA). The company continues to be cautious about leveraging its balance sheet and targets to maintain net-debt to EBITDA below 2x. However, the management believes that in case of a strategic acquisition, net-debt to EBITDA may exceed 2x for a short period.

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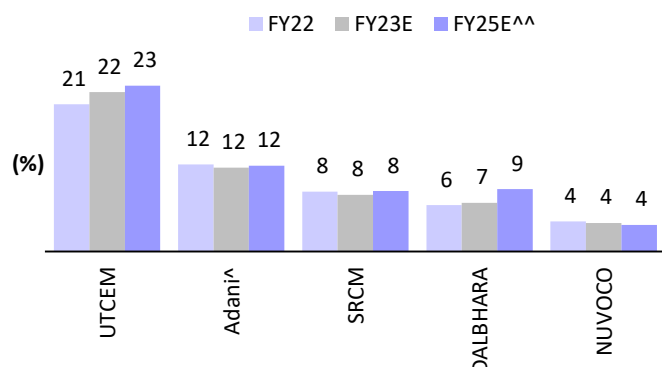
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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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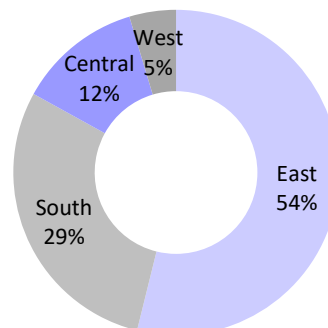
## Story in charts

**Exhibit 1: Cement capacity share\* of the top five players, combined share will increase to 56% (FY23) from 52% (FY22)**



Source: MOFSL, Company; Note: \*Capacity share at Pan-India, ^Adani is combined ACC and Ambuja, ^^based on the expansion/acquisition announced as of date

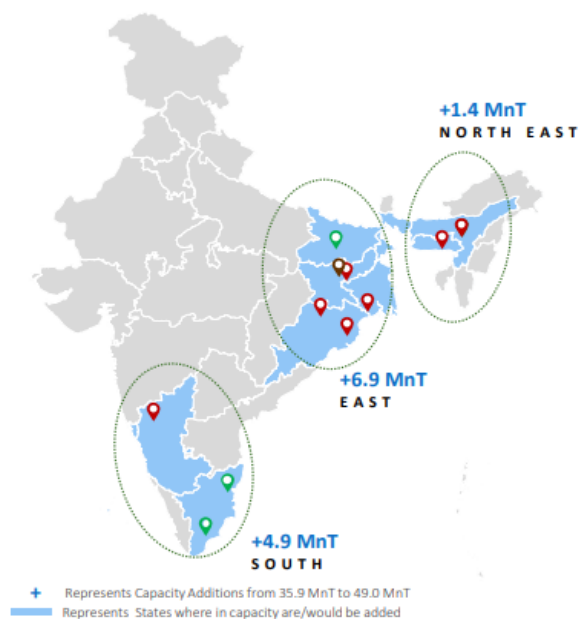
**Exhibit 2: DALBHARA's grinding capacity regional-mix by FY24E; moving toward becoming a pan-India cement player**



Source: MOFSL, Company; Note: \*in FY24 year-end capacity, we have included the acquisition of JPA assets as announced yesterday, although the timeline for completion has not been guided

**Exhibit 3: Snapshot of DALBHARA's ongoing expansions a mix of greenfield, brownfield, and debottlenecking**

### Cement Capacity Expansion Plan – 49 MnT by FY24



Region	Plant	Capacity	Commissioning
<b>Closing Capacity FY22</b>		<b>35.9</b>	
East	Bokaro, JH	0.6	
North East	Adhunik, ML	0.2	H1FY23
East	Rajgangpur, OR	0.3	
<b>Closing Capacity H1FY23</b>		<b>37.0</b>	
East	Kapilas, OR	0.4	
East	Medinipur, WB	0.6	FY23
South	Belgaum, KA	0.9	
North East	Calcom, AS	1.2	
<b>Closing Capacity FY23</b>		<b>40.0</b>	
East	Bokaro Line 2, JH	2.5	
South	Sattur, TN	2.0	
South	Ariyalur, TN	1.0	FY24
South	Kadapa, AP	1.0	
East	Vaishali, BR	2.5	
<b>Closing Capacity FY24</b>		<b>49.0</b>	

📍 Debottlenecking 📍 Brownfield 📍 Greenfield

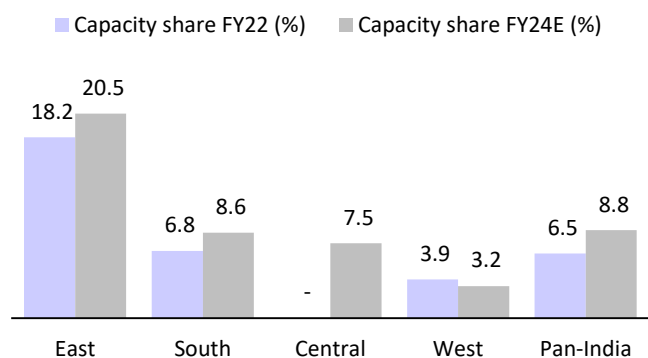
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Source: MOFSL, Company

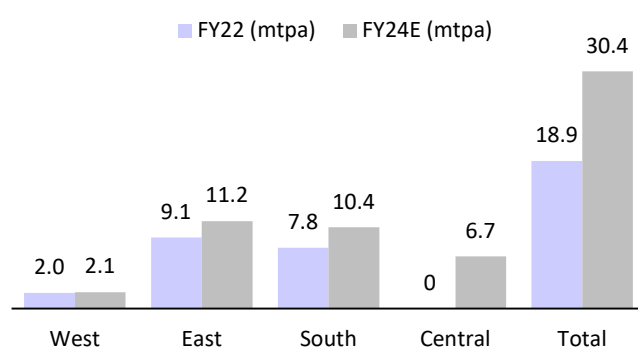
**Exhibit 4: JPA's assets details being acquired by DALBHARA and its valuation**

Region	Clinker (mtpa)	Cement (mtpa)	CPP (MW)
Central	6.7	7.2	280
East	-	2.2	-
<b>Total capacity</b>	<b>6.7</b>	<b>9.4</b>	<b>280</b>
<b>Enterprise Value (INR m)</b>			<b>56,660</b>
<b>EV/t (USD)</b>			<b>73</b>

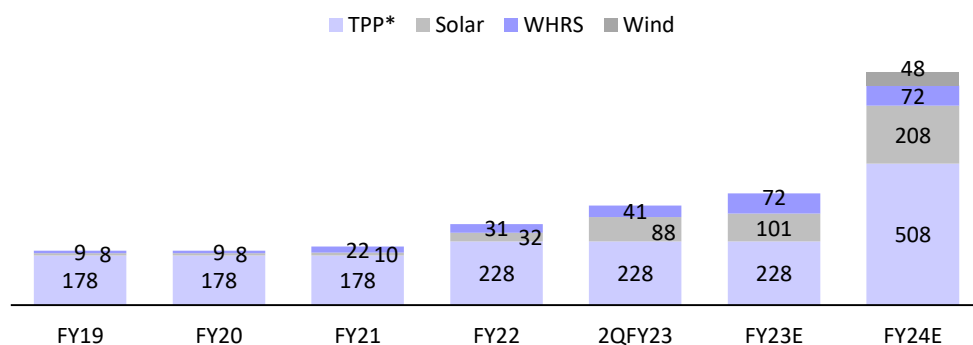
Source: MOFSL, Company, USD = INR82.5

**Exhibit 5: Region-wise capacity share of DALBHARA**

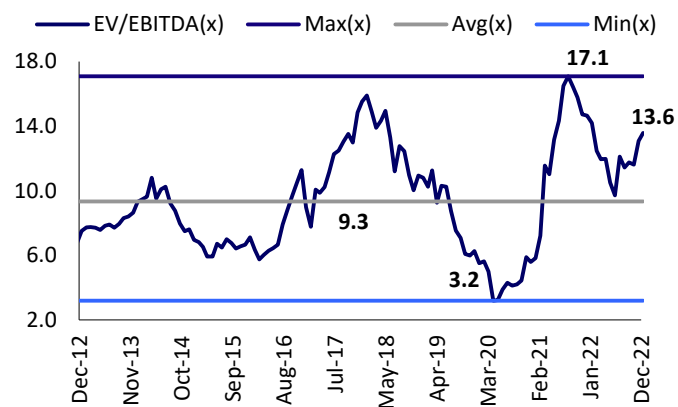
Source: MOFSL, Company; Note: \*in FY24 year-end capacity we have included the acquisition of JPA assets as announced yesterday, although the timeline for completion has not been guided

**Exhibit 6: Clinker capacity expansion plans of DALBHARA**

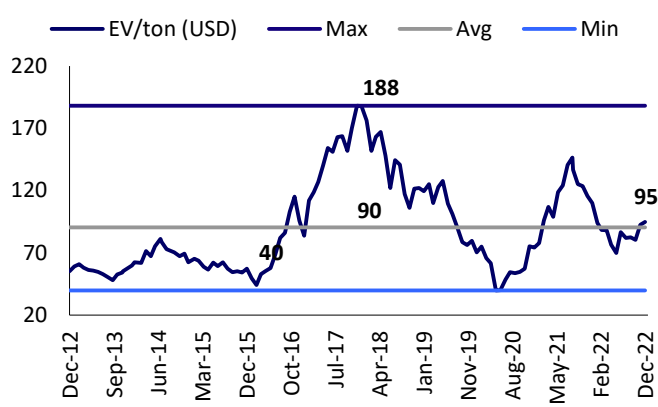
Source: MOFSL, Company Note: \*in FY24 year-end capacity we have included the acquisition of JPA assets as announced yesterday, although the timeline for completion has not been guided

**Exhibit 7: DALBHARA's captive power plants details (in MW)**

Source: Company, MOFSL; Note \*TPP is thermal based power plants

**Exhibit 8: One-year forward EV/EBITDA (x) trend**

Source: MOFSL, Company

**Exhibit 9: One-year forward EV/t (trend)**

Source: MOFSL, Company

## Financials and Valuations (Consolidated)

Income Statement								(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
<b>Net Sales</b>	<b>85,800</b>	<b>94,840</b>	<b>96,740</b>	<b>1,01,100</b>	<b>1,12,300</b>	<b>1,29,021</b>	<b>1,39,334</b>	<b>1,56,507</b>
Change (%)	15.2	10.5	2.0	4.5	11.1	14.9	8.0	12.3
<b>EBITDA</b>	<b>20,360</b>	<b>19,420</b>	<b>21,060</b>	<b>27,620</b>	<b>23,540</b>	<b>21,721</b>	<b>27,267</b>	<b>33,065</b>
Margin (%)	23.7	20.5	21.8	27.3	21.0	16.8	19.6	21.1
Depreciation	12,130	12,960	15,280	12,500	12,360	13,183	14,951	16,689
<b>EBIT</b>	<b>8,230</b>	<b>6,460</b>	<b>5,780</b>	<b>15,120</b>	<b>11,180</b>	<b>8,538</b>	<b>12,317</b>	<b>16,376</b>
Int. and Finance Charges	7,080	5,510	4,380	2,950	1,970	2,066	3,055	3,294
Other Income - Rec.	2,740	2,440	2,170	1,810	1,550	1,550	1,600	1,800
<b>PBT bef. EO Exp.</b>	<b>3,890</b>	<b>3,390</b>	<b>3,570</b>	<b>13,980</b>	<b>10,760</b>	<b>8,022</b>	<b>10,862</b>	<b>14,882</b>
EO Expense/(Income)	0	0	0	-3,330	-3,940	0	0	0
<b>PBT after EO Exp.</b>	<b>3,890</b>	<b>3,390</b>	<b>3,570</b>	<b>17,310</b>	<b>14,700</b>	<b>8,022</b>	<b>10,862</b>	<b>14,882</b>
Current Tax	1,080	1,120	1,140	2,120	1,870	2,086	2,824	3,869
Deferred Tax	-100	-1,220	50	3,330	1,230	-280	0	0
Tax Rate (%)	27.8	33.0	31.9	12.2	12.7	26.0	26.0	26.0
<b>Reported PAT</b>	<b>2,910</b>	<b>3,490</b>	<b>2,380</b>	<b>11,860</b>	<b>11,600</b>	<b>6,216</b>	<b>8,038</b>	<b>11,013</b>
Minority and Associates	10	-410	-140	-130	-240	-70	-400	-400
<b>PAT Adj. for EO items</b>	<b>2,920</b>	<b>3,080</b>	<b>2,240</b>	<b>8,400</b>	<b>7,420</b>	<b>6,146</b>	<b>7,638</b>	<b>10,613</b>
Change (%)	563.6	5.5	-27.3	275.0	-11.7	-17.2	24.3	38.9
Margin (%)	3.4	3.2	2.3	8.3	6.6	4.8	5.5	6.8

Balance Sheet								(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	385	390	390	374	375	375	375	375
Total Reserves	1,02,965	1,06,000	1,05,650	1,27,726	1,56,495	1,60,768	1,65,970	1,74,147
<b>Net Worth</b>	<b>1,03,350</b>	<b>1,06,390</b>	<b>1,06,040</b>	<b>1,28,100</b>	<b>1,56,870</b>	<b>1,61,143</b>	<b>1,66,345</b>	<b>1,74,522</b>
Deferred capital investment subsidy	1,200	1,290	1,400	1,240	1,250	1,250	1,250	1,250
Deferred Liabilities	13,250	11,880	12,770	16,590	16,350	16,350	16,350	16,350
Minority Interest	-300	110	250	340	720	1,020	1,420	1,820
Total Loans	72,660	58,780	59,500	37,080	31,190	40,190	49,690	54,690
<b>Capital Employed</b>	<b>1,90,160</b>	<b>1,78,450</b>	<b>1,79,960</b>	<b>1,83,350</b>	<b>2,06,380</b>	<b>2,19,952</b>	<b>2,35,054</b>	<b>2,48,631</b>
Gross Block	1,62,870	1,66,210	1,66,440	1,86,160	1,99,100	2,23,237	2,65,125	2,83,196
Less: Accum. Deprn.	22,500	30,470	40,890	49,910	59,030	70,880	84,718	1,00,478
<b>Net Fixed Assets</b>	<b>1,40,370</b>	<b>1,35,740</b>	<b>1,25,550</b>	<b>1,36,250</b>	<b>1,40,070</b>	<b>1,52,357</b>	<b>1,80,407</b>	<b>1,82,718</b>
Capital WIP	1,730	5,200	17,400	10,060	10,470	15,000	7,000	18,000
<b>Current Investment</b>	<b>34,080</b>	<b>23,150</b>	<b>26,980</b>	<b>32,930</b>	<b>43,990</b>	<b>42,990</b>	<b>40,490</b>	<b>40,490</b>
Non-current Investment	970	1,090	1,610	7,410	13,060	13,060	13,060	13,060
<b>Curr. Assets, Loans and Adv.</b>	<b>35,510</b>	<b>39,300</b>	<b>37,670</b>	<b>32,210</b>	<b>37,130</b>	<b>40,019</b>	<b>41,046</b>	<b>47,098</b>
Inventory	7,790	10,320	9,740	7,600	9,450	10,605	9,925	11,148
Account Receivables	5,640	5,490	6,640	5,110	6,730	7,423	7,253	8,147
Cash and Bank Balance	3,540	4,690	4,030	2,470	1,600	2,610	4,659	8,548
Loans and Advances	18,540	18,800	17,260	17,030	19,350	19,382	19,209	19,255
<b>Curr. Liability and Prov.</b>	<b>22,500</b>	<b>26,030</b>	<b>29,250</b>	<b>35,510</b>	<b>38,340</b>	<b>43,474</b>	<b>46,949</b>	<b>52,735</b>
Account Payables	20,970	23,430	27,210	32,820	35,680	40,418	43,648	49,028
Provisions	1,530	2,600	2,040	2,690	2,660	3,056	3,300	3,707
<b>Net Current Assets</b>	<b>13,010</b>	<b>13,270</b>	<b>8,420</b>	<b>-3,300</b>	<b>-1,210</b>	<b>-3,455</b>	<b>-5,902</b>	<b>-5,636</b>
<b>Appl. of Funds</b>	<b>1,90,160</b>	<b>1,78,450</b>	<b>1,79,960</b>	<b>1,83,350</b>	<b>2,06,380</b>	<b>2,19,952</b>	<b>2,35,054</b>	<b>2,48,631</b>

E: MOFSL estimates

## Financials and Valuations (Consolidated)

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
<b>Basic (INR)*</b>								
<b>EPS</b>	<b>15.2</b>	<b>15.8</b>	<b>11.5</b>	<b>44.9</b>	<b>39.6</b>	<b>32.8</b>	<b>40.8</b>	<b>56.6</b>
Cash EPS	78.1	82.3	89.8	111.7	105.6	103.1	120.5	145.7
BV/Share	536.2	545.6	543.8	684.6	837.2	860.0	887.8	931.4
DPS	1.7	2.0	2.0	1.3	9.0	10.0	13.0	13.0
Payout (%)	11.2	12.5	17.2	3.0	22.7	30.5	31.9	23.0
<b>Valuation (x)*</b>								
P/E		120.7	165.9	42.5	48.1	58.1	46.7	33.6
Cash P/E		23.2	21.2	17.1	18.1	18.5	15.8	13.1
P/BV		3.5	3.5	2.8	2.3	2.2	2.1	2.0
EV/Sales		4.0	3.8	3.4	3.0	2.6	2.5	2.2
EV/EBITDA		19.7	17.5	12.6	14.1	15.5	13.0	10.4
EV/t (USD)		175	168	137	112	102	89	86
Dividend Yield (%)		0.1	0.1	0.1	0.5	0.5	0.7	0.7
<b>Return Ratios (%)</b>								
RoIC	3.8	2.9	2.8	9.8	6.8	4.1	5.3	6.6
RoE	2.9	2.9	2.1	7.2	5.2	3.9	4.7	6.2
RoCE	4.5	3.5	3.3	9.0	6.3	3.8	4.9	6.0
<b>Working Capital Ratios</b>								
Asset Turnover (x)	0.5	0.5	0.5	0.6	0.5	0.6	0.6	0.6
Inventory (Days)	33	40	37	27	31	30	26	26
Debtor (Days)	24	21	25	18	22	21	19	19
<b>Leverage Ratio (x)</b>								
Current Ratio	1.6	1.5	1.3	0.9	1.0	0.9	0.9	0.9
Debt/Equity ratio	0.7	0.6	0.6	0.3	0.2	0.2	0.3	0.3

### Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
OP/(Loss) before Tax	3,890	3,390	3,570	13,640	11,460	8,022	10,862	14,882
Depreciation	12,130	12,960	15,280	12,500	12,370	13,183	14,951	16,689
Interest and Finance Charges	7,080	5,510	3,640	3,190	1,930	2,066	3,055	3,294
Direct Taxes Paid	-860	-240	-660	440	240	-1,806	-2,824	-3,869
(Inc.)/Dec. in WC	-3,590	1,500	2,740	7,810	-5,150	3,120	4,414	3,486
<b>CF from Operations</b>	<b>18,650</b>	<b>23,120</b>	<b>24,570</b>	<b>37,580</b>	<b>20,850</b>	<b>24,585</b>	<b>30,457</b>	<b>34,481</b>
Others	-2,590	-2,220	-1,190	-1,540	-1,480	-1,320	-1,600	-1,800
<b>CF from Operations incl. EO</b>	<b>16,060</b>	<b>20,900</b>	<b>23,380</b>	<b>36,040</b>	<b>19,370</b>	<b>23,265</b>	<b>28,857</b>	<b>32,681</b>
(Inc.)/Dec. in FA	-3,930	-13,290	-13,450	-10,270	-17,560	-30,000	-35,000	-30,000
<b>Free Cash Flow</b>	<b>12,130</b>	<b>7,610</b>	<b>9,930</b>	<b>25,770</b>	<b>1,810</b>	<b>-6,735</b>	<b>-6,143</b>	<b>2,681</b>
(Pur.)/Sale of Investments	3,950	10,320	-4,970	6,050	6,330	985	2,491	-15
Others	1,350	2,870	300	370	410	1,550	1,600	1,800
<b>CF from Investments</b>	<b>1,370</b>	<b>-100</b>	<b>-18,120</b>	<b>-3,850</b>	<b>-10,820</b>	<b>-27,465</b>	<b>-30,909</b>	<b>-28,215</b>
Issue of Shares	40	40	0	-4,000	50	0	0	0
Inc./(Dec.) in Debt	-7,730	-13,870	120	-25,340	-5,800	9,149	9,592	5,153
Interest Paid	-7,620	-5,420	-4,680	-3,960	-2,320	-2,066	-3,055	-3,294
Dividend Paid	-330	-400	-930	0	-1,000	-1,874	-2,436	-2,436
Others	0	0	-430	-450	-350	0	0	0
<b>CF from Fin. Activity</b>	<b>-15,640</b>	<b>-19,650</b>	<b>-5,920</b>	<b>-33,750</b>	<b>-9,420</b>	<b>5,209</b>	<b>4,101</b>	<b>-577</b>
<b>Inc./Dec. in Cash</b>	<b>1,790</b>	<b>1,150</b>	<b>-660</b>	<b>-1,560</b>	<b>-870</b>	<b>1,010</b>	<b>2,049</b>	<b>3,889</b>
Opening Balance	1,750	3,540	4,690	4,030	2,470	1,600	2,610	4,659
<b>Closing Balance</b>	<b>3,540</b>	<b>4,690</b>	<b>4,030</b>	<b>2,470</b>	<b>1,600</b>	<b>2,610</b>	<b>4,659</b>	<b>8,548</b>

NOTES



Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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