

Dalmia Bharat

BSE SENSEX

57,654

S&P CNX

16,986



Stock Info

Bloomberg	DALBHARA IN
Equity Shares (m)	187
M.Cap.(INRb)/(USDb)	350.6 / 4.3
52-Week Range (INR)	1989 / 1213
1, 6, 12 Rel. Per (%)	4/23/38
12M Avg Val (INR M)	465
Free float (%)	44.1

Financials Snapshot (INR b)

Y/E MARCH	FY23E	FY24E	FY25E
Sales	133.4	145.3	163.1
EBITDA	23.1	28.9	35.0
Adj. PAT	6.8	8.9	12.0
EBITDA Margin (%)	17.4	19.9	21.4
Adj. EPS (INR)	36.1	47.6	64.1
EPS Gr. (%)	-8.7	31.7	34.7
BV/Sh. (INR)	883.4	918.0	969.1

Ratios

Net D:E	-0.0	-0.0	-0.0
RoE (%)	4.2	5.3	6.8
RoCE (%)	4.8	5.4	6.5
Payout (%)	27.7	27.3	20.3

Valuations

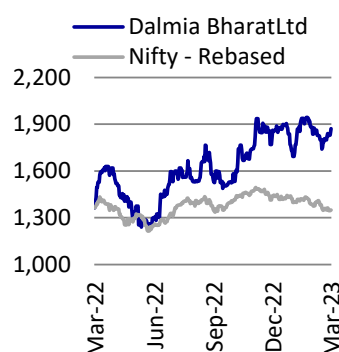
P/E (x)	51.7	39.3	29.2
P/BV (x)	2.1	2.0	1.9
EV/EBITDA(x)	14.2	11.7	9.4
EV/ton (USD)	100	85	82
Div. Yield (%)	0.5	0.7	0.7
FCF Yield (%)	-1.7	-1.5	1.2

Shareholding pattern (%)

As On	Dec-22	Sep-22	Dec-21
Promoter	55.9	55.9	56.0
DII	8.3	8.3	6.6
FII	12.4	12.3	13.5
Others	23.4	23.5	24.0

FII Includes depository receipts

Stock performance (one-year)


CMP: INR1,870 TP: INR2,155 (+15%)
BUY

Divestment of non-core asset continues

- DALBHARA has entered into a binding agreement to sell its entire 42.36% stake in Dalmia Bharat Refractories (DBRL), an associate company, to Sarvapriya Healthcare Solutions, a promoter group company, for a total consideration of INR8b. This deal will be consummated within 30 days.
- The consideration will be received as: 1) INR1.6b on deal completion, and 2) INR6.4b converted into NCDs carrying a coupon of 8.5% p.a. payable quarterly. NCDs are redeemable in two tranches of INR3.2b each — the first redeemable on or before 31st Dec'23 and the second on or before 30th Sep'24.
- In Jan'23, DBRL sold its Indian refractories business to RHI Magnesita India (RHI) through a share swap. RHI valued DBRL's Indian business at 24x FY22 EV/EBITDA. Accordingly, DALBHARA's stake in DBRL was valued at INR8.9b.

Aims to become a pure play cement company with pan-India presence

- DALBHARA is committed to increasing its capacity to 75mtpa/110-130mtpa by FY27/FY31. The acquisition of JP group's 5.2mtpa cement capacity is nearing completion and the balance 4.2mtpa is under process.
- Its capital allocation policy focuses on – 1) becoming a pan-India pure play cement company; 2) increasing presence in every market where it operates; and 3) maintaining a strong balance sheet with net debt/EBITDA of less than 2x. Discipline in capital allocation and execution remain in focus.
- In 1HFY22, DALBHARA sold a 5.2% stake (0.7%/4.5% in 2Q/1QFY22) in IEX for a total consideration of INR6.14b (IEX holding at 14.81% now). In Dec'21, it divested its stake in Hippo Stores via a slump sale to HippoStores Technology, a promoter group entity, for INR1.55b. NCDs worth INR1.2b (part of the consideration of Hippo stores sale) will be redeemable in Dec'23.

Highlights from the management commentary

- It incorporated a pure play refractory company, DBRL, in FY22 (combined refractories business of Dalmia Bharat and OCL). DBRL divested its India refractory business in Jan'23 to RHI at an EV/EBITDA of 24x. DBRL received a lump-sum consideration of INR3.93b and 27m shares (14.36% stake) of RHI (valued at INR17.08b), locked for a period of six months.
- There will not be any delay in the deal completion. The carrying value of the investment as of Dec'22 stood at INR4b. Hence, there will be a long-term capital gain of INR4b and an estimated tax outflow of INR500m. The profit will be accrued in FY23, but the actual tax outgo will be in FY24 (post deal closing).
- Raw material and fuel security will be key focus areas. Recently, DALBHARA has been awarded a coal block in Madhya Pradesh.

Valuations attractive; reiterate Buy

- We estimate the company's net cash (including investment in IEX) to be at INR4.1b in FY24 v/s estimated net debt of INR2.4b earlier. This will lead to EPS of INR47.6 in FY24E v/s INR47.1 earlier.
- We value DALBHARA at 12.5x Sep'24E EV/EBITDA to arrive at a TP of INR2,155 (from INR2,120 earlier). Reiterate our Buy rating on the stock.

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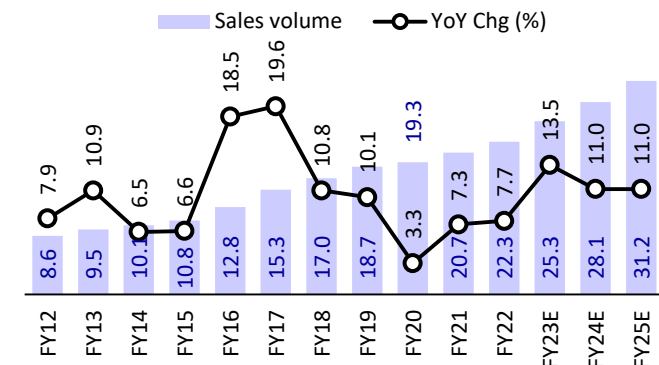
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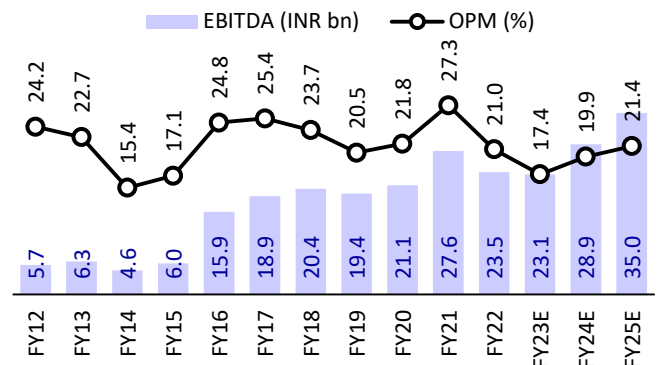
Story in charts

Exhibit 1: We expect ~11% volume CAGR over FY23-25



Source: MOFSL, Company

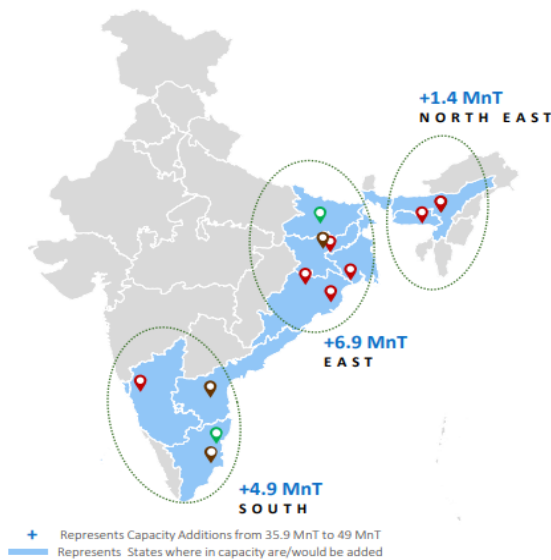
Exhibit 2: We estimate EBITDA CAGR of ~23% over FY23-25



Source: MOFSL, Company

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

Cement Capacity Expansion Plan – 49* MnT by FY24



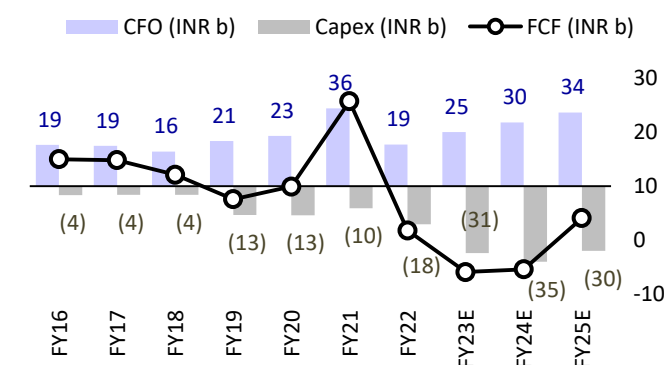
Region	Plant	Capacity	Commissioning
Closing Capacity FY22			
East	Bokaro, JH	0.6	
North East	Adhunik, ML	0.2	H1FY23
East	Rajgangpur, OR	0.3	
Closing Capacity H1FY23			
East	Kapilas, OR	0.4	
East	Medinipur, WB	0.6	FY23
South	Belgaum, KA	0.9	
North East	Calcom, AS	1.2	
Closing Capacity FY23			
East	Bokaro 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	
Closing Capacity FY24			
		49	

● Debottlenecking ● Brownfield ● Greenfield

* Does not include the cement capacity of 5.2MnT of Jaiprakash Associates Limited for which definitive agreement has been signed. 47

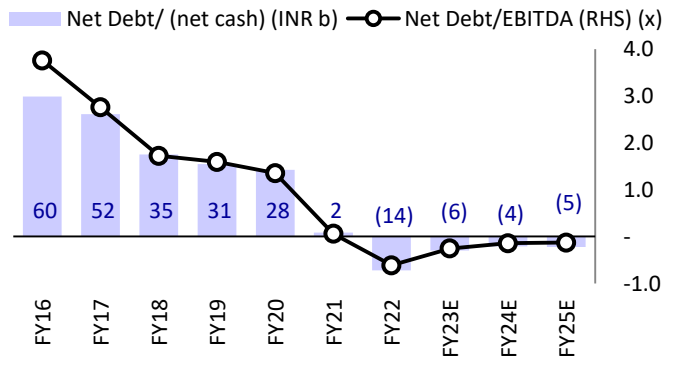
Source: Company

Exhibit 4: Expect higher capex over FY23-25



Source: MOFSL, Company

Exhibit 5: Net debt and Net debt-to-EBITDA trend



Source: MOFSL, Company; E: MOFSL estimates, Note: estimates does not include JPA asset acquisition under-progress;

Financials and Valuations (Consolidated)

Income Statement								(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	85,800	94,840	96,740	1,01,100	1,12,300	1,33,406	1,45,272	1,63,122
Change (%)	15.2	10.5	2.0	4.5	11.1	18.8	8.9	12.3
EBITDA	20,360	19,420	21,060	27,620	23,540	23,148	28,923	34,958
Margin (%)	23.7	20.5	21.8	27.3	21.0	17.4	19.9	21.4
Depreciation	12,130	12,960	15,280	12,500	12,360	13,079	15,013	16,751
EBIT	8,230	6,460	5,780	15,120	11,180	10,069	13,910	18,207
Int. and Finance Charges	7,080	5,510	4,380	2,950	1,970	2,250	3,055	3,374
Other Income - Rec.	2,740	2,440	2,170	1,810	1,550	1,400	1,740	1,940
PBT bef. EO Exp.	3,890	3,390	3,570	13,980	10,760	9,220	12,596	16,774
EO Expense/(Income)	0	0	0	-3,330	-3,940	-3,480	0	0
PBT after EO Exp.	3,890	3,390	3,570	17,310	14,700	12,700	12,596	16,774
Current Tax	1,080	1,120	1,140	2,120	1,870	2,127	3,275	4,361
Deferred Tax	-100	-1,220	50	3,330	1,230	0	0	0
Tax Rate (%)	27.8	33.0	31.9	12.2	12.7	16.7	26.0	26.0
Reported PAT	2,910	3,490	2,380	11,860	11,600	10,573	9,321	12,412
Minority and Associates	10	-410	-140	-130	-240	-50	-400	-400
PAT Adj. for EO items	2,920	3,080	2,240	8,400	7,420	6,773	8,921	12,012
Change (%)	563.6	5.5	-27.3	275.0	-11.7	-8.7	31.7	34.7
Margin (%)	3.4	3.2	2.3	8.3	6.6	5.1	6.1	7.4

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	1,65,144	1,71,629	1,81,206
Net Worth	1,03,350	1,06,390	1,06,040	1,28,100	1,56,870	1,65,519	1,72,004	1,81,580
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
Capital Employed	1,90,160	1,78,450	1,79,960	1,83,350	2,06,380	2,24,329	2,40,714	2,55,690
Gross Block	1,62,870	1,66,210	1,66,440	1,86,160	1,99,100	2,24,237	2,66,125	2,84,196
Less: Accum. Deprn.	22,500	30,470	40,890	49,910	59,030	70,776	84,676	1,00,498
Net Fixed Assets	1,40,370	1,35,740	1,25,550	1,36,250	1,40,070	1,53,461	1,81,448	1,83,698
Capital WIP	1,730	5,200	17,400	10,060	10,470	15,000	7,000	18,000
Current Investment	34,080	23,150	26,980	32,930	43,990	42,990	40,490	40,490
Non-current Investment	970	1,090	1,610	7,410	13,060	16,540	9,290	9,290
Curr. Assets, Loans and Adv.	35,510	39,300	37,670	32,210	37,130	41,289	51,435	59,177
Inventory	7,790	10,320	9,740	7,600	9,450	10,965	10,746	12,067
Account Receivables	5,640	5,490	6,640	5,110	6,730	7,675	7,960	8,938
Cash and Bank Balance	3,540	4,690	4,030	2,470	1,600	3,127	13,330	18,706
Loans and Advances	18,540	18,800	17,260	17,030	19,350	19,521	19,398	19,466
Curr. Liability and Prov.	22,500	26,030	29,250	35,510	38,340	44,951	48,949	54,964
Account Payables	20,970	23,430	27,210	32,820	35,680	41,791	45,508	51,100
Provisions	1,530	2,600	2,040	2,690	2,660	3,160	3,441	3,864
Net Current Assets	13,010	13,270	8,420	-3,300	-1,210	-3,662	2,485	4,213
Appl. of Funds	1,90,160	1,78,450	1,79,960	1,83,350	2,06,380	2,24,329	2,40,714	2,55,690

E: MOFSL estimates

Financials and Valuations (Consolidated)

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Basic (INR)*								
EPS	15.2	15.8	11.5	44.9	39.6	36.1	47.6	64.1
Cash EPS	78.1	82.3	89.8	111.7	105.6	105.9	127.7	153.5
BV/Share	536.2	545.6	543.8	684.6	837.2	883.4	918.0	969.1
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	27.7	27.3	20.3
Valuation (x)*								
P/E		118.4	162.8	41.7	47.2	51.7	39.3	29.2
Cash P/E		22.7	20.8	16.7	17.7	17.7	14.6	12.2
P/BV		3.4	3.4	2.7	2.2	2.1	2.0	1.9
EV/Sales		4.0	3.7	3.4	2.9	2.5	2.3	2.0
EV/EBITDA		19.4	17.2	12.4	13.8	14.2	11.7	9.4
EV/t (USD)		172	166	135	110	100	85	82
Dividend Yield (%)		0.1	0.1	0.1	0.5	0.5	0.7	0.7
Return Ratios (%)								
RoIC	3.8	2.9	2.8	9.8	6.8	5.3	6.0	7.5
RoE	2.9	2.9	2.1	7.2	5.2	4.2	5.3	6.8
RoCE	4.5	3.5	3.3	9.0	6.3	4.8	5.4	6.5
Working Capital Ratios								
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	27	27
Debtor (Days)	24	21	25	18	22	21	20	20
Leverage Ratio (x)								
Current Ratio	1.6	1.5	1.3	0.9	1.0	0.9	1.1	1.1
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	9,220	12,596	16,774
Depreciation	12,130	12,960	15,280	12,500	12,370	13,079	15,013	16,751
Interest and Finance Charges	7,080	5,510	3,640	3,190	1,930	2,250	3,055	3,374
Direct Taxes Paid	-860	-240	-660	440	240	-2,127	-3,275	-4,361
(Inc.)/Dec. in WC	-3,590	1,500	2,740	7,810	-5,150	3,811	3,960	3,506
CF from Operations	18,650	23,120	24,570	37,580	20,850	26,232	31,348	36,042
Others	-2,590	-2,220	-1,190	-1,540	-1,480	-1,150	-1,740	-1,940
CF from Operations incl. EO	16,060	20,900	23,380	36,040	19,370	25,082	29,608	34,102
(Inc.)/Dec. in FA	-3,930	-13,290	-13,450	-10,270	-17,560	-31,000	-35,000	-30,000
Free Cash Flow	12,130	7,610	9,930	25,770	1,810	-5,918	-5,392	4,102
(Pur.)/Sale of Investments	3,950	10,320	-4,970	6,050	6,330	981	9,739	-16
Others	1,350	2,870	300	370	410	1,400	1,740	1,940
CF from Investments	1,370	-100	-18,120	-3,850	-10,820	-28,619	-23,521	-28,076
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	9,188	9,606	5,159
Interest Paid	-7,620	-5,420	-4,680	-3,960	-2,320	-2,250	-3,055	-3,374
Dividend Paid	-330	-400	-930	0	-1,000	-1,874	-2,436	-2,436
Others	0	0	-430	-450	-350	0	0	0
CF from Fin. Activity	-15,640	-19,650	-5,920	-33,750	-9,420	5,065	4,115	-650
Inc./Dec. in Cash	1,790	1,150	-660	-1,560	-870	1,528	10,203	5,376
Opening Balance	1,750	3,540	4,690	4,030	2,470	1,600	3,127	13,330
Closing Balance	3,540	4,690	4,030	2,470	1,600	3,127	13,330	18,706

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

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