


Robust Volume Growth; Lower Prices Impact Margin
Est. Vs. Actual for Q4FY24: Revenue – **BEAT**; EBITDA Margin – **MISS**; PAT – **BEAT**
Change in Estimates post Q4FY24
FY25E/FY26E: Revenue: -3%/-3%; EBITDA: -13%/-13%; PAT: -19%/-21%

Recommendation Rationale

- **The organic capacity expansion plan is progressing well:** The company's total cement grinding capacity will increase to 49.5 mtpa in FY25E from the current 44.6 mtpa (excluding JP Associates assets). This will aid in its volume growth moving forward. We expect the company to post volume growth of 10% CAGR over FY23-26E. The company also regained its market share during the quarter.
- **Lower cement prices impacted EBITDA margin:** During the quarter, cement prices corrected by 8%, and blended realization came in at Rs 4894/tonne, which impacted the EBITDA margin of the company, being lower by 630bps and 290bps YoY/QoQ. Cement prices are expected to remain soft until Q2FY25 and to increase only from Q3FY25 onwards. Consequently, we revise our EBITDA margin guidance from earlier levels of 21% & 22% to 19% & 20% respectively in FY25E and FY26E. Pricing remains a key monitorable.
- **Higher consolidation to benefit large players:** Between 2013 to 2023, the market share of large players has increased from 46% to 57%, and with the increasing pace of consolidation and capacity expansion by top players, their overall market share is bound to increase. This will positively impact cement pricing, economies of scale, and supply chain efficiency. The company, being among the top 5 players in the country, is poised to benefit from consolidation in the medium to long term. Cement demand in its operating regions is expected to remain resilient, and the company is projected to achieve double-digit growth going forward.

Sector Outlook: Positive
Company Outlook & Guidance: The management expects double-digit volume growth coupled with better cement prices and a fall in inflationary pressure to drive profitability.

Current Valuation: 11.5x FY26E EV/EBITDA (Earlier Valuation: 12x FY26E EV/EBITDA)

Current TP: Rs 2,050 /share (Earlier TP: Rs 2,470/share)

Recommendation: We maintain our **BUY** recommendation on the stock.

Financial Performance

During the quarter, DBL reported a mixed set of numbers. Its Volume/Revenue grew by 19%/10%, which exceeded expectations, indicating robust demand. However, EBITDA declined by 7%, falling below expectations. This decline can be attributed to better demand and lower costs, offset by lower realization. The company reported a profit of Rs 315 Cr against our estimate of Rs 285 Cr in Q4FY24, driven by higher volume, lower costs, and higher other income. It recorded an EBITDA margin of 15.2% (vs. our estimates of 18.6%) against 18.1% YoY. The quarter's volume stood at 8.8 million tonnes per annum (mntpa), up 19% YoY. DBL's EBITDA/tonne stood at Rs 743, down sharply 22%/37% YoY/QoQ owing to lower realization, which contracted by 7%/8% YoY/QoQ. The company reported blended realization/tonne of Rs 4,894 against Rs 5,286 YoY. The company's cost/tonne reduced by 4% YoY to Rs 4,151. This was driven by lower power & fuel costs, which declined by 24%/16% YoY/QoQ to Rs 898/tonne, the lowest in the last eleven quarters.

Outlook: We expect cement demand to remain robust, driven by a continuous focus on infrastructure development. We anticipate the industry to grow at 1.2 times the GDP growth, which is projected to be at 6.5%-7% for the next several years. Given the company's superior positioning in key markets of East and South, exposure to the West region, the government's keen focus on infrastructure and low-cost affordable housing, increasing real estate demand, new capacity ramp-up along with the company's cost optimization measures, we expect DBL to deliver stable performance going forward. We expect the company to grow its Volume/Revenue/EBITDA/APAT at a CAGR of 10%/8%/13%/8% over FY23-FY26E. Pricing remains key monitorable.

Valuation & Recommendation

The stock is currently trading at 12x and 10x FY25E/FY26E EV/EBITDA and EV/tonne of \$90 and \$85. **We maintain our BUY rating on the stock** with a TP of Rs 2,050/share, implying an upside of 14% from the CMP.

Key Financials (Consolidated)

(Rs Cr)	Q4FY24	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	4,307	20	10	4,094	5%
EBITDA	654	-16	-7	763	(14%)
EBITDA Margin	15.2%	(630bps)	(290bps)	18.6%	(340bps)
Net Profit	315	20%	-47%	285	10%
EPS (Rs)	16.8	14	31.4	15.2	10%

Source: Company, Axis Research

 (CMP as of 25th April, 2024)

CMP (Rs)	1806
Upside /Downside (%)	14
High/Low (Rs)	2431/1771
Market cap (Cr)	33998
Avg. daily vol. (6m) Shrs.	3,70,666
No. of shares (Cr)	18.7

Shareholding (%)

	Sep-23	Dec-23	Mar-24
Promoter	55.9	55.8	55.8
FII's	14.1	13.0	11.4
MF's / UTI	6.5	8.0	8.5
Banks / FI's	0.1	0.1	0.1
Others	23.5	23.2	24.2

Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	14,680	15,666	17,081
EBITDA	2,628	2,999	3,383
Net Profit	827	1,110	1,305
EPS (Rs)	44	59	70
PER (x)	41	30	26
EV/EBITDA (x)	13	12	10
P/BV (x)	2.0	1.9	1.8
RoE (%)	5%	6%	7%

Change in Estimates (%)

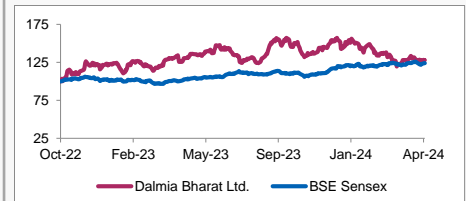
Y/E Mar	FY25E	FY26E
Sales	-3%	-3%
EBITDA	-13%	-13%
PAT	-19%	-21%

ESG disclosure Score**

Environmental Disclosure	64
Social Disclosure Score	36
Governance Disclosure	70
Total ESG Disclosure Score	57
Sector Average	49

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures

Relative performance


Source: Ace Equity Axis Securities

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Key Concall Highlights

- **Capacity Expansion:** The company's capacity expansion plan is progressing well, with its total cement grinding capacity expected to increase to 49.5 mtpa (excluding JP assets 9.5 mtpa) in FY25E from the current 44.6 mtpa, contributing to volume growth. Anticipating a volume growth CAGR of 9% over FY23-26E, the company is also enhancing its clinker capacity from the current 22.4 mtpa to 27.1 mtpa, expected to be commissioned in FY26. Earlier, the company successfully de-bottlenecked 0.90 mtpa grinding capacity at its Unit in Belgaum, Karnataka. Furthermore, during H1FY24, the company commissioned 5.1 mtpa of clinker grinding capacity.
- **The company is also setting up a Greenfield Unit at Assam** (Clinker capacity 3.7 mtpa and Grinding Capacity 2.4 mtpa) is anticipated to be commissioned in FY25E bringing the total cement manufacturing capacity to 49.5 mtpa, excluding the JP assets.
- **JP Assets:** The JP assets, for which the company had signed a definitive agreement, are taking longer than expected, and the company aims to acquire these assets during FY25, pending approvals from various lenders. Regarding Super Dalla, an arbitration process is currently underway to determine the resolution.
- **Guidance of industry-leading volume growth:** The company has provided guidance for industry-leading volume growth in the mid-teens, driven by increased demand in its operating region and expects higher consolidation to benefit large players in the future. The company regained its market share during the quarter. In the recent quarter, the company recorded a volume growth of 19% YoY. The blended cement sales constituted 87%, with the remaining being OPC. The trade and non-trade mix for the year was 65%/35%, compared to 63%/37%. Premium cement accounted for 21% of overall trade sales, consistent with Q2FY24. The company aims to significantly elevate premium cement sales in the future. Volume growth (excluding JP assets) stood at 12% YoY.
- **Tolling arrangement with JP:** The company has a tolling arrangement with JP, wherein the company gets cement manufactured from JP and sells it under the Dalmia brand. In the recent quarter, the company sold 0.60 mtpa of cement under this tolling arrangement, and the management anticipates an improvement in this number in the coming quarters.
- **Pricing:** Cement prices have experienced a decline in both the East and South regions. During the quarter, blended realization declined by 8% QoQ to Rs 4,894. The management has indicated an expectation for prices to trend higher only after Q3FY25. The company envisions a cement price growth of 1-2% CAGR in the future, based on historical trends.
- **Power/Fuel:** Power/fuel costs during the quarter decreased by 24% on a tonne basis YoY reflecting the benefit of lower fuel costs in the company's operating performance. Fuel costs have softened by \$48 YoY. The fuel mix comprised 56% Pet Coke & Coal (Imported & Domestic), with the remaining being renewable energy/Alternative Fuel Resources (AFR). The company expects a marginal decline in power/fuel costs in Q1FY25. On a per Kcal basis, the cost stood at Rs 1.45, compared to 1.50 in Q3FY24. Fuel cost consumption cost declined from \$162/tonne to \$114/tonne in Q4FY24. The company aims to double its renewable power capacity to 328 MW by FY25, further aiding in cost rationalization. As of the latest update, Waste Heat Recovery System (WHRS) and Solar capacity stand at 72 and 113 MW, respectively.
- **Freight:** During the quarter, the lead distance was 279 km, compared to 277 km in Q3FY23. On a tonne basis, freight costs increased by 6% to Rs 1,093/tonne YoY owing to higher movement in Clinker during the quarter. The company expects freight costs to normalize in the coming quarter.
- **Capex:** The total Capex in FY24 is expected to be in the range of Rs 3,500-Rs 4000 Cr excluding the acquisition of JP assets, while the JP asset Capex is expected to be between Rs 3,000-Rs 3,500 Cr. During 12MFY24, the total Capex stood at Rs 2,827 Cr.
- **Debt/Cash:** The current gross debt stands at Rs 4,651 Cr, cash/cash equivalent at Rs 4,166 Cr, including the Mark-to-Market (MTM) value of IEX Investment at Rs 1,788 Cr, and net debt at Rs 484 Cr. On a QoQ basis, net debt has increased marginally by Rs 53 Cr, and gross debt by Rs 278 Cr.
- **Incentive:** The incentive accrued was Rs 93 Cr in Q4FY24. The incentive collected was Rs 98 Cr in Q4FY24. The total incentive receivable stood at Rs 701 Cr as of March 31, 2024. For FY25, the company expects incentive accrual in the range of Rs 300 Cr, including incentives due on the Murli Industry.
- **Dividend:** The company announced a final dividend of Rs.5/share for FY24. The total dividend declared for the year is Rs 9/share.

Key Risks to our Estimates and TP

- Lower realization and demand in its key market and delay in capacity expansion.
- Higher input costs may impact margins.

Change in Estimates

	New		Old		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	15,666	17,081	16123	17590	-3%	-3%
EBITDA	2,999	3,383	3448	3883	-13%	-13%
PAT	1,110	1,305	1374	1643	-19%	-21%

Source: Company, Axis Securities

Result Review Q3FY24

(Rs Cr)	Quarterly Performance				
	Q4FY24	Q3FY24	Q4FY23	% Chg QoQ	% Chg YoY
Net sales	4307	3600	3,912	20%	10%
Expenditure	3653	2825	3,205	29%	14%
EBITDA	654	775	707	-16%	-7%
Other income	120	64	41	88%	193%
Interest	94	108	64	-13%	47%
Depreciation	328	370	336	-11%	-2%
PBT	352	361	348	-2%	1%
Tax	32	95	125	-66%	-74%
Adjusted PAT	315	263	589	20%	-47%
EBITDA margin (%)	15.2%	21.5%	18.1%	(630bps)	(290bps)
EPS (Rs)	16.8	14.0	31.4	20%	-47%

Source: Company, Axis Securities

Volume/ Realization / Cost Analyses

	Quarterly Performance				
	Q4FY24	Q3FY24	Q4FY23	% Chg QoQ	% Chg YoY
Volume/mtpa	8.80	6.80	7.40	29%	18.9%
Realization/tonne (Rs)	4894	5294	5,286	-8%	-7%
Cost/tonne (Rs)	4151	4154	4,331	-0.1%	-4%
Raw material/tonne (Rs)	1111	921	1,014	21%	10%
Staff Cost/tonne (Rs)	230	325	258	-29%	-11%
Power & Fuel/tonne (Rs)	898	1068	1,177	-16%	-24%
Freight/tonne (Rs)	1159	1093	1,111	6%	4%
Other Expenses /tonne (Rs)	753	749	772	1%	-2%
EBITDA/tonne (Rs)	743	1140	955	-35%	-22%

Source: Company, Axis Securities

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Net sales	13,540	14,680	15,666	17,081
Other operating income	0	0	0	0
Total income	13,540	14,680	15,666	17,081
Raw Material	1,981	2,703	3,071	3,316
Power & Fuel	3,679	3,116	2,847	3,074
Freight & Forwarding	2,802	3,203	3,528	3,810
Employee benefit expenses	771	871	856	942
Other Expenses	1,991	2,159	2,365	2,555
EBITDA	2,316	2,628	2,999	3,383
Other income	138	326	283	290
PBIDT	2,454	2,954	3,282	3,673
Depreciation	1,305	1,498	1,391	1,546
Interest & Fin Chg.	234	386	384	361
E/o income / (Expense)	-	-	-	-
Pre-tax profit	915	1,070	1,507	1,766
Tax provision	242	216	377	442
RPAT	673	854	1,130	1,325
Minority Interests	44	27	20	20
Associates	554	-	-	-
APAT after EO item	1,035	827	1,110	1,305

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Total assets	25,543	27,749	28,799	30,197
Net Block	16,467	17,855	19,546	20,563
CWIP	1,859	2,284	2,284	2,284
Investments	587	588	588	588
Wkg. cap. (excl cash)	881	738	790	862
Cash / Bank balance	285	582	327	526
Misc. Assets	5,464	5,702	5,264	5,374
Capital employed	25,543	27,749	28,799	30,197
Equity capital	37	38	38	38
Reserves	15,591	16,359	17,376	18,587
Minority Interests	116	110	130	150
Borrowings	3,742	4,630	4,758	4,814
DefTax Liabilities	1,634	1,795	1,795	1,795
Other Liabilities and Provision	4,423	4,817	4,703	4,813

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Profit before tax	1,321	1,069	1,507	1,766
Depreciation	1,305	1,498	1,391	1,546
Interest Expenses	231	386	384	361
Non-operating/ EO item	-95	-304	-283	-290
Change in W/C	-77	46	-52	-72
Income Tax	-14	-54	-377	-442
Operating Cash Flow	2252	2,635	2,571	2,869
Capital Expenditure	-2709	-2,827	-3,133	-2,562
Investments	-329	-570	500	-
Others	87	47	283	290
Investing Cash Flow	2326	-2,750	-2,350	-2,272
Borrowings	-677	1,099	428	57
Interest Expenses	-297	-439	-384	-361
Dividend paid	-169	-169	-94	-94
Others	-33	-13	-	-
Financing Cash Flow	118	48	-5	-40
Change in Cash	94	107	170	199
Opening Cash	140	234	341	511
Closing Cash	234	341	511	710

Source: Company, Axis Securities

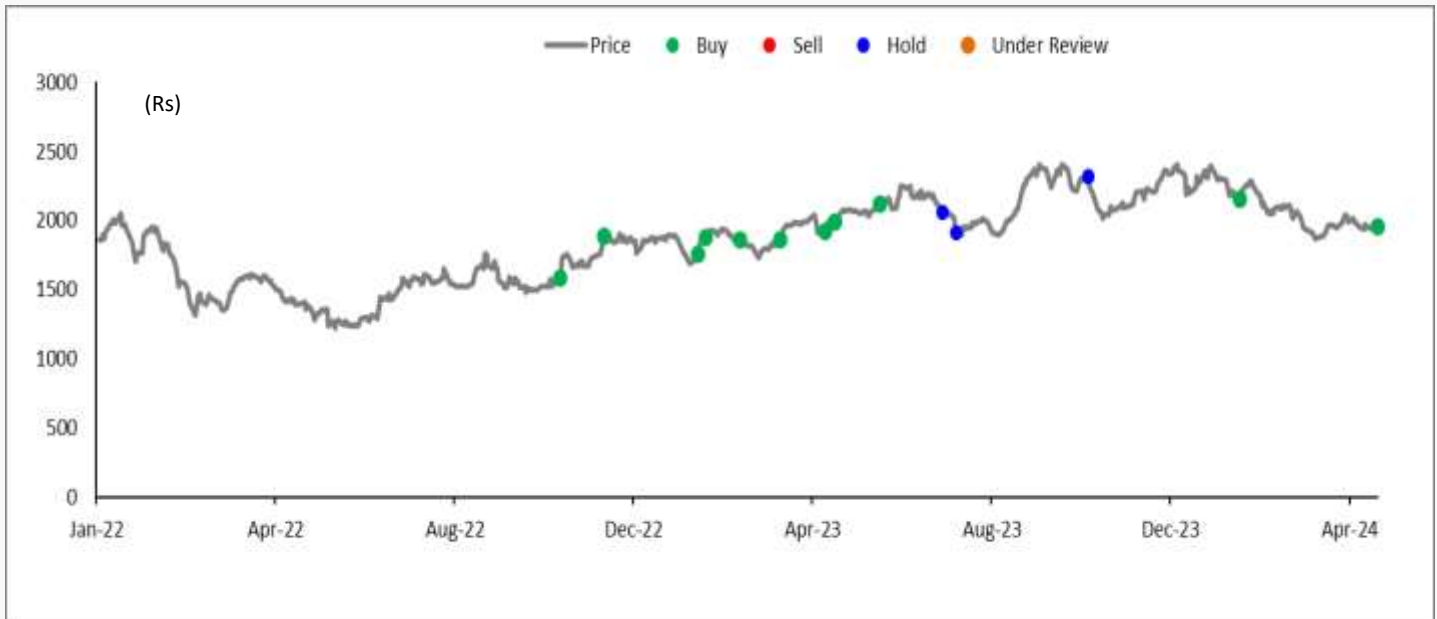
Ratio Analysis

(%)

Y/E March	FY23	FY24	FY25E	FY26E
Operational Ratios				
Sales growth	20%	8%	10%	9%
OPM	17%	19%	21%	22%
Op. profit growth	-5%	21%	23%	13%
COGS / Net sales	62%	60%	59%	58%
Overheads/Net sales	20%	21%	20%	20%
Depreciation / G. block	5.3%	5.6%	5.2%	5.0%
Effective interest rate	6.3%	7.9%	8.0%	7.5%
Efficiency Ratios				
Total Asset Turnover (x)	0.53	0.53	0.55	0.57
Sales/Gross block (x)	0.55	0.53	0.53	0.53
Sales/Net block(x)	0.82	0.81	0.84	0.88
Working capital/Sales (x)	0.20	0.21	0.21	0.22
Valuation Ratios				
P/BV (x)	2.79	2.50	2.32	2.13
PER (x)	42	48	30	25
EV/Ebitda (x)	19.3	15.2	12.3	10.8
EV/Sales (x)	3.3	2.9	2.6	2.4
EV/Tonne \$ (x)	141	112	111	103
Return Ratios (%)				
ROE	7%	5%	8%	9%
ROCE	6	7	9	10
ROIC	7	9	11	12
Leverage Ratios				
Debt / equity (x)	0.24	0.31	0.27	0.25
Net debt/ Equity (x)	0.04	0.08	0.05	0.02
Debt service coverage ratio (x)	0.31	0.31	0.46	0.53
Interest Coverage ratio (x)	4.91	3.96	5.72	7.01
Cash Flow Ratios				
OCF/Sales	0.17	0.14	0.18	0.19
OCF/Ebitda	0.97	0.75	0.86	0.85
OCF/Capital Employed	0.11	0.10	0.13	0.13
FCF/Sales	-0.03	-0.07	0.01	0.04
Payout ratio (Div/NP)	16.3	11.0	6.8	5.7
AEPS (Rs.)	55.2	45.6	73.3	87.6
AEPS Growth	27	-17	61	20
CEPS (Rs.)	125	128	158	177
DPS (Rs.)	9	5	5	5

Source: Company, Axis Securities

Dalmia Bharat Price Chart and Recommendation History



Date	Reco	TP	Research
31-Jan-22	HOLD	1,945	Result Update
11-May-22	BUY	1,635	Result Update
16-Jun-22	BUY	1,635	AAA
05-Aug-22	BUY	1,820	Result Update
01-Sep-22	BUY	1,850	Top Picks
01-Oct-22	BUY	1,850	Top Picks
01-Nov-22	BUY	1,850	Top Picks
03-Nov-22	BUY	1,900	Result Update
01-Dec-22	BUY	2,070	Top Picks
01-Jan-23	BUY	2,070	Top Picks
07-Feb-23	BUY	2,120	Result Update
01-Mar-23	BUY	2,120	Top Picks
28-Mar-23	BUY	2,260	Result Update
01-Apr-23	BUY	2,120	Top Picks
27-Apr-23	BUY	2,230	Result Update
02-May-23	BUY	2,260	Result Update
01-Jun-23	BUY	2,350	Top Picks
13-Jul-23	HOLD	2,230	AAA
24-Jul-23	HOLD	2,015	Result Update
17-Oct-23	HOLD	2,250	Result Update
25-Jan-24	BUY	2,470	Result Update
26-Apr-24	BUY	2,050	Result Update

Source: Axis Securities Ltd

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