Capacity Expansion, Strong Market Position and Cost efficient operations to drive market share/ returns

We initiate coverage on Dalmia Bharat Limited (DBL) with a BUY recommendation and a Target Price of Rs 966, which implies an upside of 26% from the current levels. DBL is among the top five cement producers in India having capacity of 26.5 mntpa with strong market position in its key markets of South, East and North East India. The company has overall market share of 5% in the Indian cement industry. Currently the company is in the process of expanding its existing capacity from 26.5 mntpa to 37.3 mntpa which will get operational in phases over FY21 to FY22 .The company reported steller Q1FY21 results due to higher realization and controlled costs while the revenue and volume was impacted due to COVID-19 related lockdown. With capacity expansion, better monitoring of cost drivers and increased realization, DBL is expected to report Revenue/Ebitda/APAT CAGR of 9%//16%/66% respectively between FY20-FY23E driven by volume CAGR of 8% and improvement in realization CAGR of 1% between FY20-FY23E. We value DBL at 7x FY22E EV/EBITDA to arrive at TP of Rs.966 as we see strong re-rating potential on the back of healthy growth. **Our key investment thesis are as follows.**

Capacity expansion to drive volume and revenue growth for the company

DBL is in the process of expanding its present capacity by 40% (including acquisition of Murali Industries 3 mntpa awarded under NCLT proceedings) from 26.5 mntpa to 37.3 mntpa. These capacities will get operational in phases over the next 6 to 18 months time. Since majority of these expansions are taking place (7.8 mntpa) in the eastern region, the gain in market share is imminent. It will therefore further consolidate its position in its key market of East which also includes North- East and emerge as the top player in the region. The acquistion of Murali Industries will allow the company to capture western markets where currently the company has no operating facility. With the expanded capacity and better utilisation going forward,we expect volume CAGR of 8% over FY20A-FY23E which is significantly higher than expected industry growth of 2% CAGR over the same period. We expect the company to clock revenue CAGR of 9% over the same period.

Cost efficient operation with an eye on further reduction in operational cost

DBLs integrated operations, better cement to clinker ratio, introduction of portland composite cement, digitisation of sales channel and effective utilization of resources makes it one of the lowest cost producer of cement in India .Various cost optimization excercise initiated at its operating facilities will add to margin improvement going forward. With better capacity utilization, more benign pricing environment and controlled cost, we expect EBIDTA margins to grow from 21.77% in FY20A to 26.3% by FY23E. As a result, EBIDTA/tonne improves by 23% over the period FY20A-23E to Rs.1345/tonne.

Diversified & Strong market presence in its key market of South, East & North East India

The company capacity is geographically diversified (45.7% in southern region, 39.24% in East and balance 15% in North-East region which will keep company relatively insulated from regional demand supply fluctuations. Further acquisition of Murali Industries gives the company opportunity to explore Western market. With the commissioning of extended capacity the company will further consolidate its position in its key markets. The market share of the company in East will increase from current 12% to 19% with the commissioning of the extended facility.

Strong brand image added by promoter experience

DBLs promoters have extensive experience in the cement industry expanding over several decades. With concentrated efforts over the period of time the company has built strong capacity through organic and inorganic route to catapult itself as one of the top cement producers in India. Strong dealer and distribution network, established brands, digtalisation of sales channel, branding and promotion exercise keeps the company agile and growing. . Apart from the cement the company also deals in refractory which is being used in iron and steel, cement , chemicals and other industries.

Robust growth outlook – Initiate with BUY

Current valuations are attractive at 5.5x FY22E EV/EBITDA (sector average 10X EV/EBIDTA) and $58 EV/tonne capacity. Initiate coverage with BUY and target price of Rs.966/share, valuing the company at 7x of its FY22E EV/EBITDA.

Key Financials

(Rs. mn)	FY20A	FY21E	FY22E	FY23E
Net Sales	96,740	89,096	113,472	124,157
EBITDA	21,060	20,134	29,243	32,598
Net Profit	2,380	3,137	8,644	10,932
EPS (Rs.)	12.3	16.3	44.8	56.6
PER (x)	40	43	16	12
EV/EBITDA (x)	5.8	8.4	5.5	4.4
P/BV (x)	0.9	1.2	1.2	1.1
ROE (%)	3.3	2.2	2.9	7.7

Source: Company, Axis Research

CMP as of Sep 16, 2020)

CMP (Rs)	768
Upside /Downside (%)	26%
High/Low (Rs)	918/406
Market cap (Cr)	13500
Avg. daily vol. (6m) Shrs.	254384
No. of shares (Cr)	19.3

Shareholding (%)

	Mar-18	Mar-19	Mar-20
Promoter	57.9	54.3	54.3
FIIs	16.7	16.9	15.3
MFs / UTI	5.1	3.6	3.3
Banks / FIs	1.3	0.8	0.3
Others	19.0	24.5	26.9

Financial & Valuations

Y/E Mar (Rs. mn)	FY21E	FY22E	FY23E
Net Sales	89,096	113,472	124,157
EBITDA	20,134	29,243	32,598
Net Profit	3,137	8,644	10,932
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EV/EBITDA (x)	8.4	5.5	4.4
P/BV (x)	1.2	1.2	1.1
ROE (%)	2.2	2.9	7.7

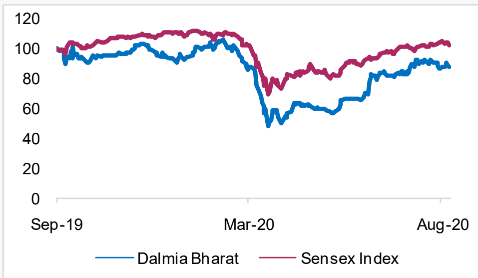
Key Drivers (%) (Growth in %)

Y/E Dec	FY21E	FY22E	FY23E
Net Sales	-8%	27%	9%
EBITDA	-4%	45%	11%
Net Profit	32%	176%	26%

Axis vs Consensus

EPS Estimates	2021E	2022E	2023E
Axis	16.3	44.8	56.6
Consensus	15.1	27.9	45.2
Mean Consensus TP (12M)			**966.4**

Relative performance



Source: Capitaline, Axis Securities

Uttam Kumar Srimal
Research Analyst

email: uttamkumar.srimal@axissecurities.in

Financial Story In Charts

Exhibit 1: Revenue and Volume Trend

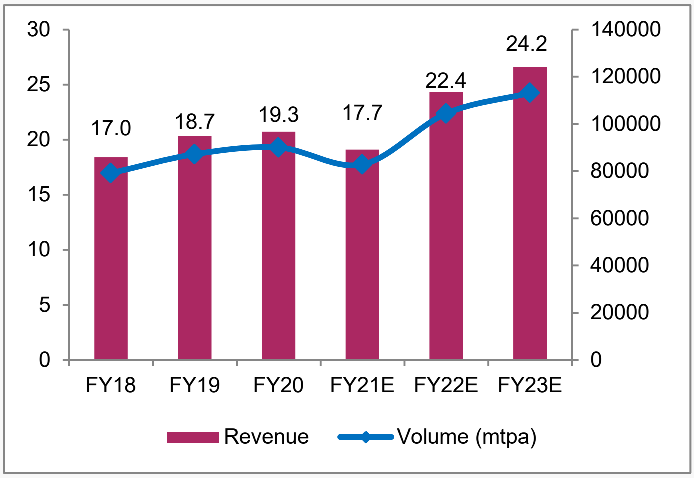
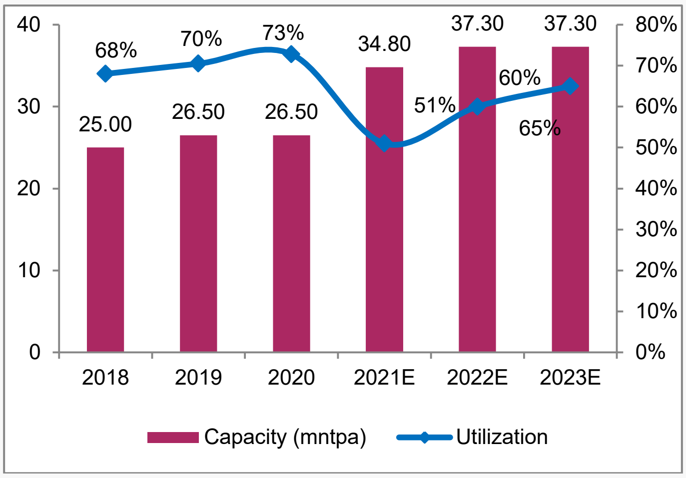


Exhibit 2: Capacity expansion and Utilization trend



Source: Company, Axis Securities

Exhibit 3: EBITDA /Tonne to increase

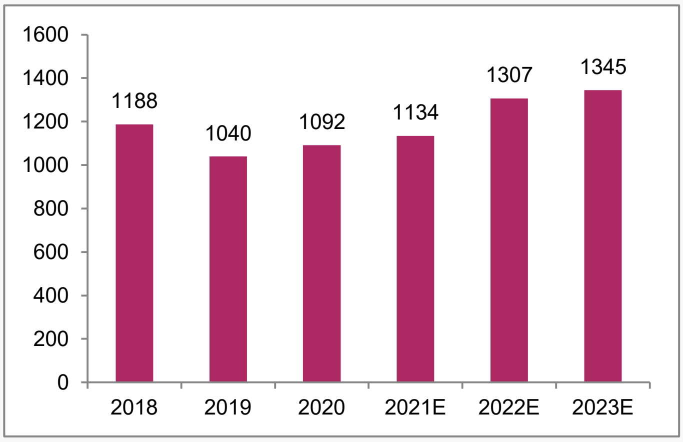
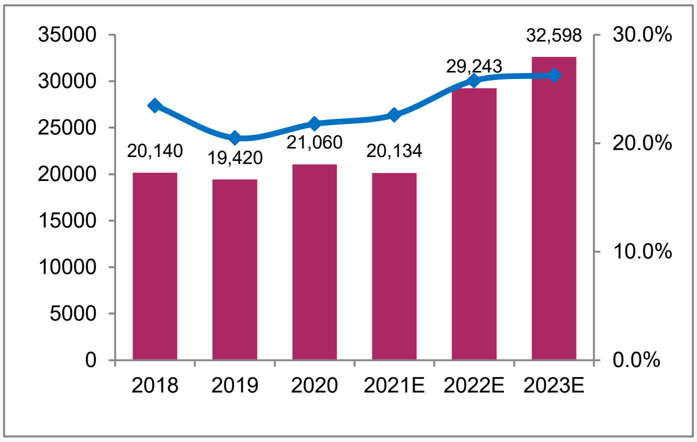


Exhibit 4: EBITDA & EBITDA margin to increase (Rs. in mn)



Source: Company, Axis Securities

Exhibit 5: Realization tonne / Growth trend

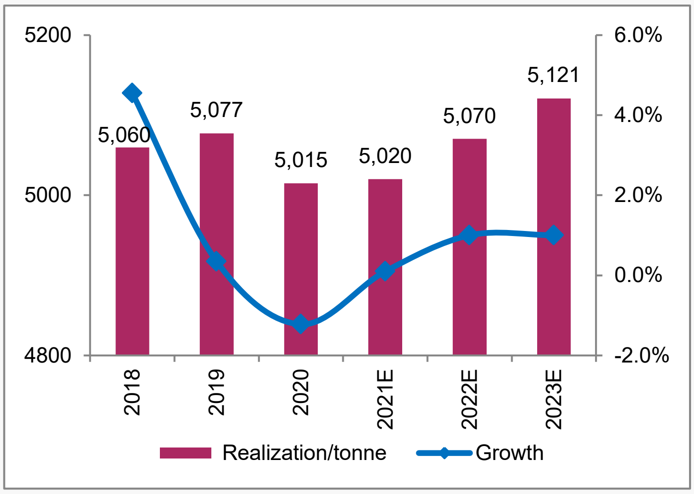
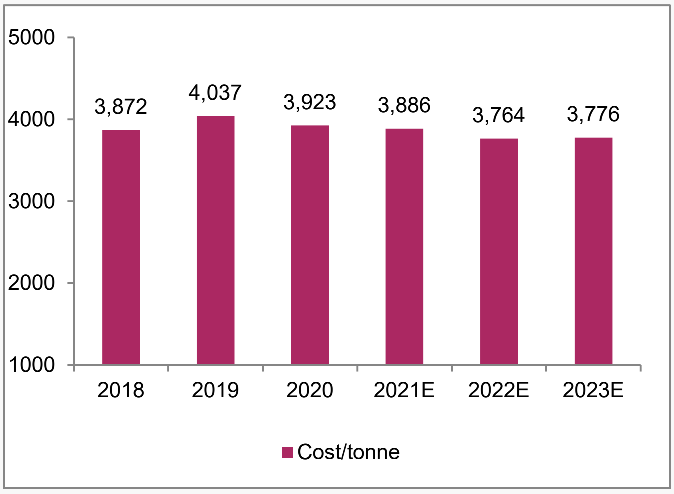


Exhibit 6: Trend in cost/ Tonne



Source: Company, Axis Securities

Exhibit 7: Valuation gets attractive on FY23E EV/EBITDA

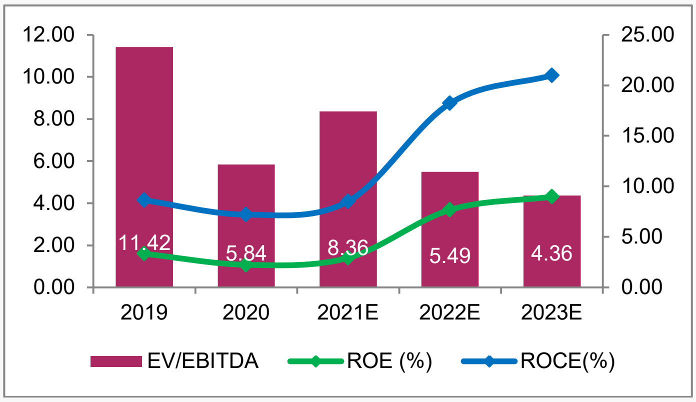
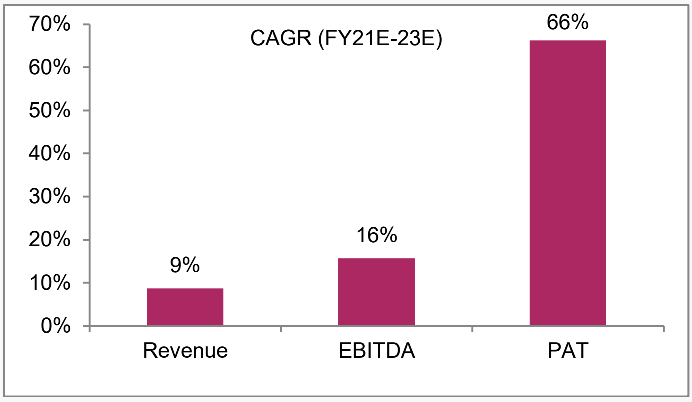


Exhibit 8: CAGR trend in Revenue, EBITDA and Profit



Source: Company, Axis Securities

Exhibit 9: OCF and FCF to increase capex intensity to decrease

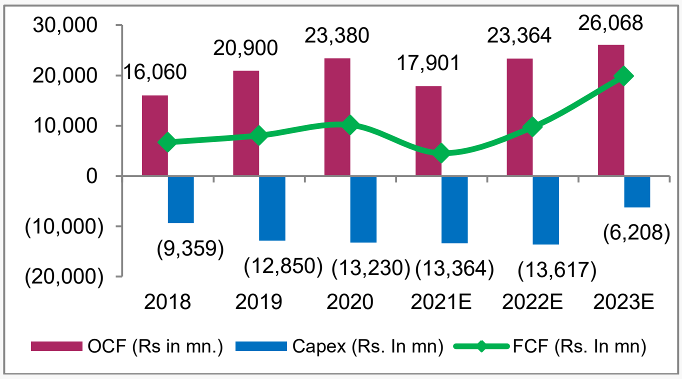
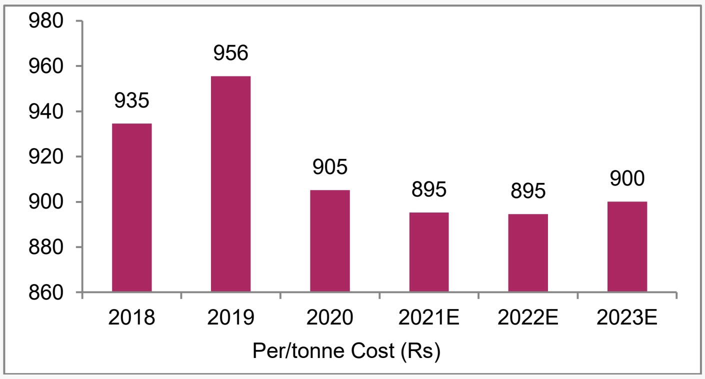


Exhibit 10: Raw Material cost/ Tonne



Source: Company, Axis Securities

Exhibit 11: Power & Fuel cost/ Tonne

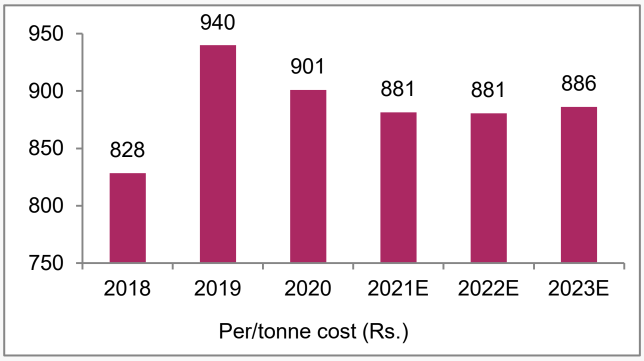
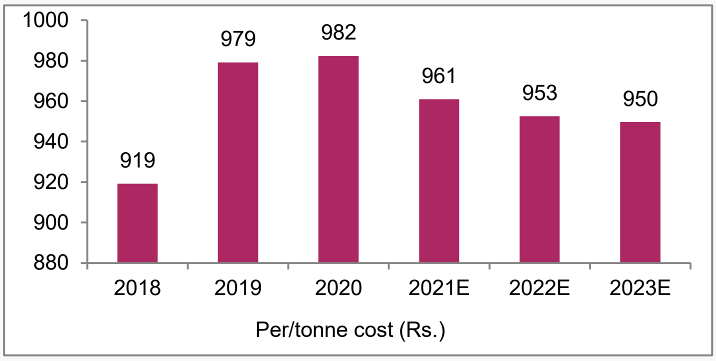


Exhibit 12: Freight & Forwarding cost/ Tonne



Source: Company, Axis Securities

Exhibit 13: Employee cost/ Tonne

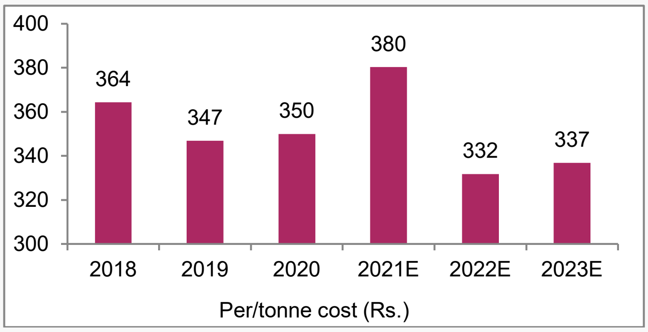
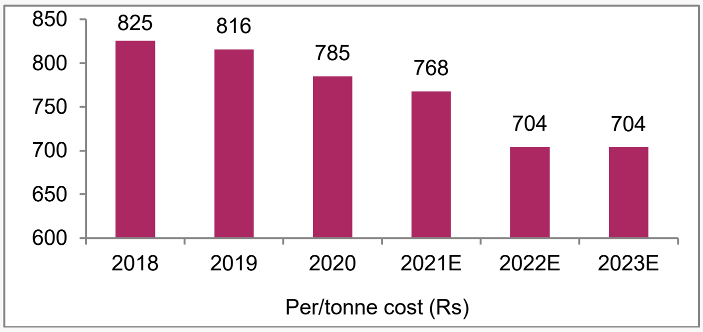


Exhibit 14: Other expenses/ cost /Tonne



Source: Company, Axis Securities

Capacity expansion to drive volume and revenue growth for the company

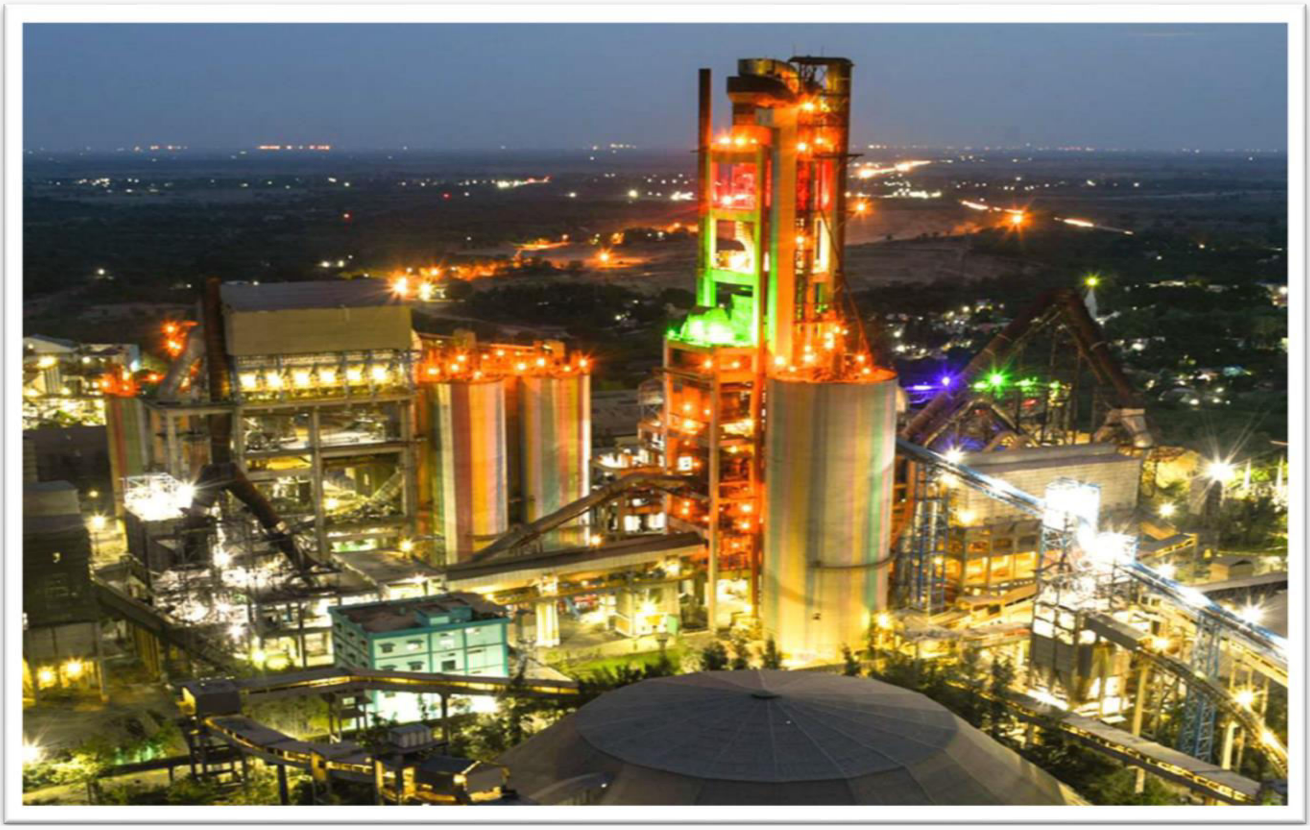
DBL has 7 integrated cement facilities, five split grinding units and one split clinkerization unit spread across 13 locations and 9 Indian states. Dalmia Bharat Limited is the India's fourth largest cement group with an installed capacity of 26.5 mntpa, accounting for 5% of the all-India capacity share. The Company enjoys a substantial presence in South India with cement plants located in Tamil Nadu (Dalmiapuram and Ariyalur), Andhra Pradesh (Kadapa) and Karnataka (Belgaum) with a capacity of 12.1 million tonnes per annum (mntpa) .The Company has significant operations in East and North East India with a total capacity (along with its subsidiaries and associate) of 14.4 mntpa which is expected to reach to 22.2 mntpa after completion of capacity addition projects.

DBL is in the process of expanding its present capacity by 40 % (including acquisition of Murali Industries 3 mntpa awarded under NCLT proceedings) from 26.5 mntpa to 37.3 mntpa. These capacities are built at an attractive cost of 70$/tonne and will get operational in phases over next 6 to 18 months time. Since majority of these expansions are taking place (7.8 mntpa) in the eastern region, the gain in market share is eminent. The acquistion of Murali Industries will allow the company to capture western market of Maharashtra where currently company has no operating facility. The ramping up of new clinker facility of 3 mntpa at its integrated plant in Odisha is shaping up well to meet its clinker requirement once commercial production starts in Q3FY21. Total cost of expansion is Rs.3200 crores.

The Eastern market is growing at 9% CAGR since FY10. Cement demand in FY21E is estimated at 64mntpa and 80mntpa in FY23E in the region Incremental demand from FY21E - FY23E to be around 16 mntpa which implies a growth CAGR of 11.5% during this period. We believe the company will be in a position to absorb the increased production from the new facilities in the region.

With the extended capacity and better utilisation going forward,we expect volume CAGR of 8% over FY20A-FY23E which is significantly higher than expected industry growth of 2% CAGR over the same period. We expect the company to clock revenue CAGR of 9% over the same period.

Exhibit 15: Dalmiapuram Plant (4.2 mntpa capacity)



Source: Company, Axis Securities

Cost efficient operation with an eye on further reduction in operational cost

The company on consistent basis has been able to improve its operating effeciency through various measures such as lower power consumption per tonne of cement produced, proximity to raw material sources, strategic location of plants, digitalisation of sales channel, logistic effeciency, supply chain management among others. At present the company has 178 MW of thermal, 9.2 MW of WHRS and 8 MW of solar power plants which suffice the 2/3 power requirements of the company. The company is in the process of setting up another 30 MW WHRS plants at its integrated units to be operational in FY22.

During the last few years, the Company increased the proportion of slag and fly ash (both procured cost-effectively) in the manufacture of blended cement, which helped reduce production costs. The Company procured these from steel and power-producing companies, where these materials were generated as waste. The proportion of slag increased from around 55% a couple of years ago to 62% of the total volume of PSC manufactured. The company continue to optimise the fixed and variable costs through a low-cost fuel mix, increasing the share of alternative fuels, moderating cost centres and encouraging the use of lateral alternatives. The current fuel mix of the company stands at Petcoke 65%, Coal 20%, AFR (Alternate fuel) 6% and Lignite 9%. The company aims to increase the use of alternate fuel to 20% in few years time which will make it more cost efficient producer of cement. By 2030 company aims to become 100% green energy company.

Company has made various efforts to increase its visibility and market share in its natural markets and in the markets that are more economically beneficial. It is putting all efforts to considerably shrink the lead distances to optimise the logistics cost. , Through various supply chain management initiative programe the company has been able to implement systemic process to logistics movement on the back of loading confirmation, auto invoice creation and driver tracking, reduced the plant turnaround time and improved security.

We expect cost per tonne to moderate by 3.8% to Rs.3773/tonne from current Rs.3923/tonne over FY20A-FY23E. With better monitoring of cost drivers and increased realization, we expect EBIDTA margins to grow from 21.77% in FY20A to 26.30% by FY23E. As a result, EBIDTA/tonne improves by 23% over the period FY20A-23E to Rs.1345/tonne.

Exhibit 16: Ariyalur Plant (2.6 mntpa capacity)

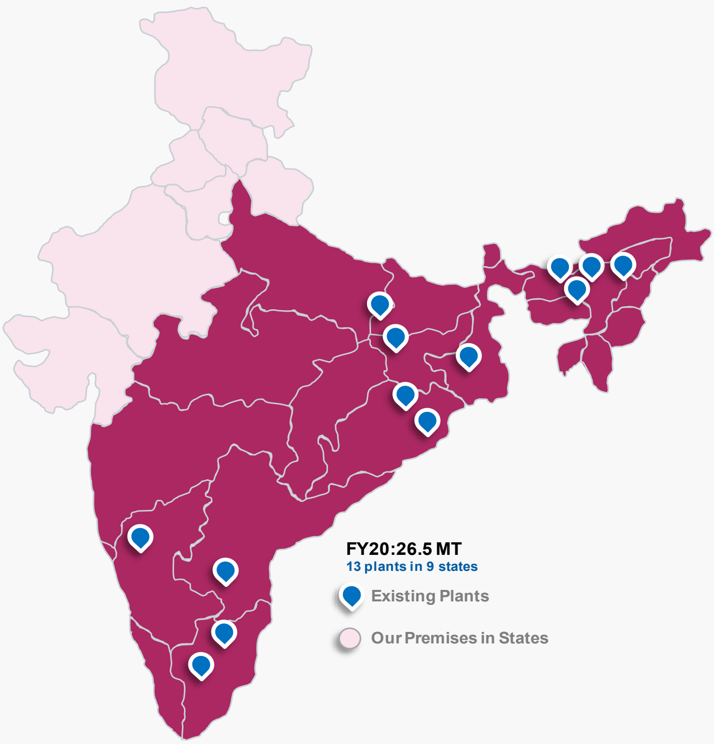
Source: Company, Axis Securities

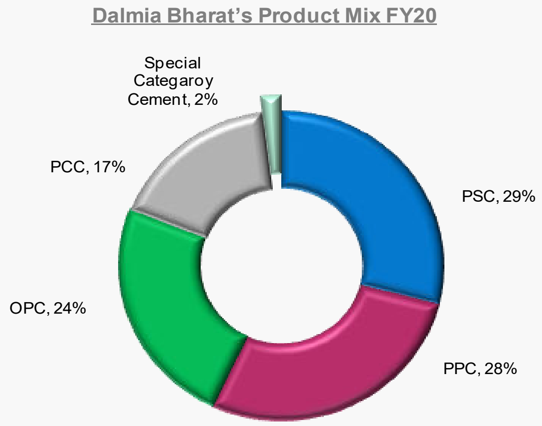
Diversified & Strong market presence in its key market of South, East and North East India

Over the period of time the company could built itself as one of the premier cement companies in India through organic and inorganic expansion having strong presence in its key markets with 7.5% capacity share in Southern region, 12% in the Eastern region and 25% in North- East region. With the commissioning of the new facilities in the East, market share will further increase to 19% making it the top cement producer in the region. The company cement capacity is well diversified with (45.7% in Southern region, 39.24% in East and balance in North- East) which will keep company relatively insulated from regional demand supply fluctuations. With the acquisition of Murali Industries (3 mntpa capacity) the company will make it presence felt in the Western market which will further diversify its market presence. The Murali Industries plant is expected to get operational in next 9 to 12 months time.

The company is the largest producer of slag and super specialty cement in India. Currently the company derives 12% of its revenue from premium cement out of trade sales. The company expects to increase the contribution of premium cement to 20% of trade sales in next two to three years. At present East is the preferred market for premium cement consumption. The Southern market response to premium cement has been lackluster however the company has been making consistent efforts to increase the contribution from the region. The company intends to increase the cement realizations through a multi-pronged strategy encompassing the introduction of value-added products, adding premium product brands, strengthened efficiency in trade and non-trade pricing among others. The company sells its products through the various brands in its key markets.

Exhibit 17: Company plants and Offices





Source: Company, Axis Securities

Exhibit 18: % of Total Capacity

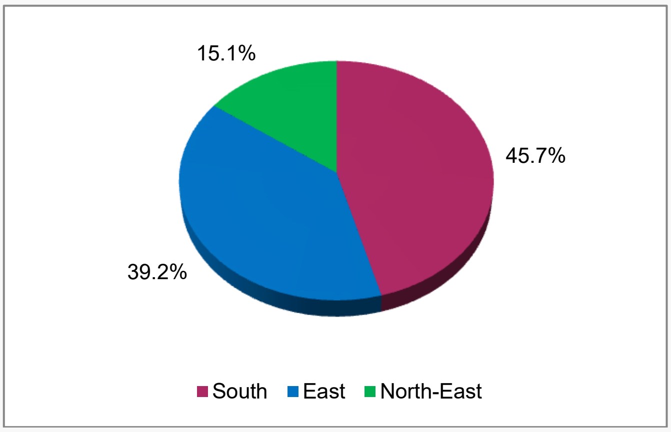
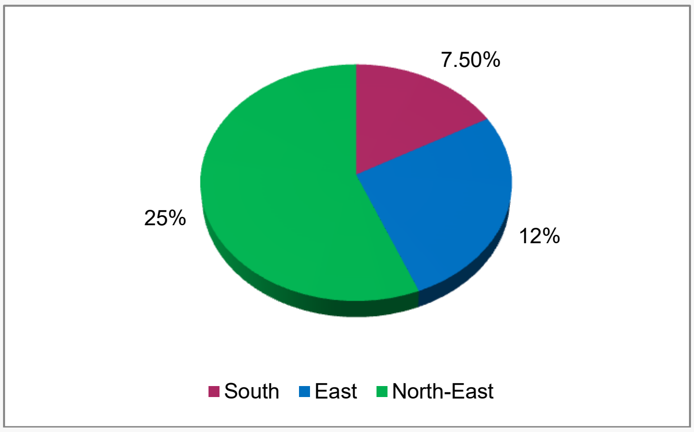


Exhibit 19: Market Share



Source: Company, Axis Securities

Strong brand image added by promoter experience.

DBLs promoters have extensive experience in the cement industry expanding over several decades. With concentrated efforts over the period of time the company has built strong capacity through organic and inorganic route to catapult itself as one of the top cement producera in India. Strong dealer and distribution network, established brands, digtalisation of sales channel, branding and promotion exercise keeps the company agile and growing.

With focused efforts, the installed capacity of the company increased to 26.5 mntpa in FY2020 from 1.2 mntpa in FY2006. Cement being a commodity whose growth is well tied up with the economic growth of the country, extensive promoter experience provides operational comfort. Apart from the cement, the company also deals in refractory which is being used in iron and steel, cement , chemicals and other industries.

The company has diversified product portfolio and offers a range of cement variants through three marquee consumer cement brands Dalmia Cement, Dalmia DSP (Premium category) and Konark Cement. Institutional brands comprises of Dalmia InfraPro, Dalmia Infra-green and Dalmia InstaPro. These brands are available in variants as per local demand and available resources in PPC, PSC,PCC and OPC. The company is category leader in super speciality cements used for oil well, railway sleepers and air strips.

Exhibit 20: Different brands

Source: Company, Axis Securities

Management Profile

Key Management Personnel	Experience
Mr. Pradip Khaitan *Non Executive Independent Chairman, LLB*	Mr. Pradip Kumar Khaitan is Non-Executive Independent Chairman of the Board of the Board of Dalmia Bharat Enterprises Ltd. He has 46 years experience across industry. He was co-opted as a Director of the Company in February 2011. He holds LL.B. degree from the University of Calcutta. A partner in Khaitan & Co., Solicitors and Advocates, he has legal and commercial experience. Mr. Khaitan serves as director for several public limited companies.
Mr. Gautam Dalmia *MD, Whole time Director* *BS & MS from Columbia University*	Mr Gautam Dalmia has 19 years of experience in cement and sugar industry. As Managing Director of group companies, Dalmia Cement (Bharat) Limited and Dalmia Bharat Sugar and Industries Limited, he is directly responsible for managing the operations of the cement and sugar businesses and leads execution of projects. He also provides leadership to the commercial functions for the group.
Mr. Puneet Dalmia *MD, Executive Director,* IIT, Delhi, IIM, Bangalore	Mr. Puneet Dalmia has 15 years of experience in cement industry, having started his career as the cofounder and chaired one of the most profitable e-recruitment websites in India, which was later acquired by monster.com, a Nasdaq listed multinational company. Mr. Puneet Yadu Dalmia, as Managing Director of group companies, Dalmia Cement (Bharat) Limited and Dalmia Bharat Sugar and Industries Limited, conceptualised the growth strategy and governance architecture of the group to focus on its core businesses and is spearheading the growth plans for the group.
Mr. Mahendra Singhi MD, CEO, LLB, CA	Mr. Mahendra Singhi has 41 years of experience and is best known for avid advocate of sustainability .Mr. Singhi promotes innovative ideas and research and believes research has the potential to address climate change issues and create future opportunities for business. A positive thinker and strong supporter of the happiness culture in the organization.
Mr. Jayesh Doshi CFO, Whole time Director LLB, CA	Mr. Jayesh Doshi has 28 years of experience and looks after the captial allocation and finance related matters of the group. He has been associated with the company since 2013.

Source: Company, Axis Securities

Company Overview

Founded in 1935 by Jaidayal Dalmia; the cement division of DCBL was established in 1939 and enjoys a heritage of 70 years of expertise and experience. Dalmia Group had established four cement plants in pre-independence years, two of which were affected by the partition and Independence. The two remaining plants operate as Dalmia Cement and they have also made strategic investment in Orissa Cements Limited(OCL). Managed by a professional team, the company has sustained the path to innovation and growth for seven decades. Dalmia Cement is one of India's pioneering cement companies. Headquartered in New Delhi, the company operates as Dalmia Cement (Bharat) Ltd., which is in turn is a 100% subsidiary of Dalmia Bharat Ltd.

Product & Brand Portfolio

Dalmia Cement's availability spans across 22 states and union territories, mainly in East, North East and Southern India, with selective presence in Uttar Pradesh and Maharashtra. The company offer a range of cement variants through various brand portfolio of three marquee brands: Dalmia Cement, Dalmia DSP and Konark Cement. These brands are available as Portland Pozzolona Cement, Portland Slag Cement, Composite Cement, and Ordinary Portland Cement in select markets. The company is a category leader in super-specialty cements used for oil well, railway sleepers and air strips. The company work with engineers and technocrats around the country to develop a wide variety of customized cement which is manufactured for specific engineering and construction needs.

Manufacturing

The company operates a manufacturing capacity of 26.5 (mntpa) across 13 cement plants and grinding units, spread across 9 states. The company has invested heavily in research and development, operating three R&D centers equipped with cutting edge robotic labs (called Dalmia Cement Future Labs) at regional hubs. The company is largest producer of slag cement in India and also the largest producer of specialty cement in the country.

Cement Plant

- ✓ Dalmiapuram (TN) 4.2 mntpa (Clinker+ Grinding Unit) . Alstom (Assam) 0.4 mntpa (Grinding Unit)
- ✓ Kadapa (AP) 2.6 mntpa (Clinker+ Grinding Unit)
- ✓ Ariyalur (TN) 2.6 mntpa (Clinker+ Grinding Unit)
- ✓ Belgaum (KA) 2.6 mntpa (Clinker+Grinding Unit)
- ✓ Rajganjpur (Odisha) 4.0 mntpa (Clinker+ Grinding Unit)
- ✓ Adhunik (Assam) 1.5 mntpa (Clinker+ Grinding Unit)
- ✓ Calcolm (Meghalaya) 2.1 mntpa (Clinker+ Grinding Unit)
- ✓ Kalyanpur (Bihar) 1.1 mntpa (Clinker+ Grinding Unit)
- ✓ Kapilas (Odisha) 1.35 mntpa (Grinding Unit)
- ✓ Medinipore (WB)- 1.35 mntpa (Grinding Unit)
- ✓ Bokaro (Jharkhand) 2.6 mntpa (Grinding Unit)

Valuations and Outlook

We initiate coverage on Dalmia Bharat Limited with BUY recommendation and Target Price of Rs.966/share implies an upside of 26% as we value the stock at 7xFY22E EV/Ebitda. The company reported steller Q1FY21 results due to higher realization and controlled cost while sales and volume was impacted due to COVID-19 related lockdown While FY21 overall will be impacted due to COVID-19 and related volume loss, the outlook for the company in FY22E/FY23E is robust as various projects related to infra and housing will gain more momentum as the impact of pendemic recedes and situation improves.. We expect the company to register Revenue/Ebitda/APAT CAGR of 9%/16%/66% from FY20A-FY23E driven by volume CAGR of 8%.over FY20A-FY23E. Valuation is attractive at 5.5x FY22E EV/EBITDA and $58 EV/tonne capacity .

We value Dalmia Bharat Limited at 7x FY22E EV/EBITDA to arrive at TP of Rs.966 as we see re-rating potential on the back of strong growth.

Exhibit 21: FWD PE BAND (x)

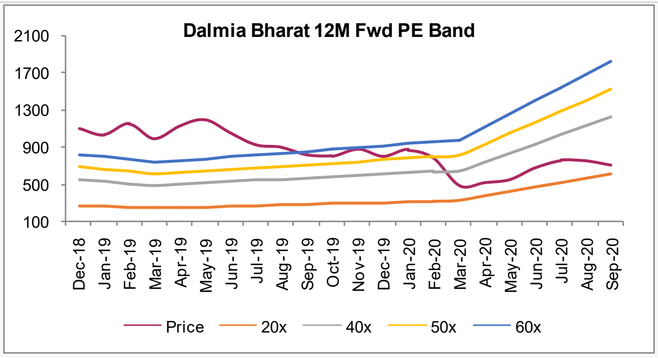
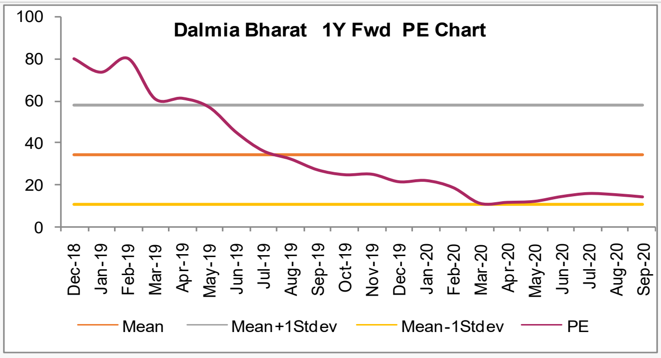


Exhibit 22: FWD PE CHART (x)



Source: Company, Axis Securities

Key Risk

Regional demand supply dynamics

The regional demand supply dynamics plays most important role in the performance of cement company as cement is regional play. Realization and profitability gets impacted by regional demand supply change. So any adverse change in regional dynamics may risk our earning estimate. Demand slowdown may lead to non absorption of the extended capacity.

Cyclicality of the cement industry

Cement industry is highly cyclical in nature and depends largely on the economic growth of the country. There is a high degree of correlation between the GDP growth and the growth in cement consumption. The contraction in economic growth also hampers cement industry. Since company enjoys strong presence in its key market of South , East and Northt-East India with strong brand recall, the company is expected to restrict the slowdown.

Fluctuation in input prices

Fluctuation in prices of input such as coal, pet coke, limestone, fly ash and slags , power and fuel affects cost structure of cement company. DBL is also exposed to such fluctuation in input prices and any large variation may impact the profitability of the company.

Industry Overview

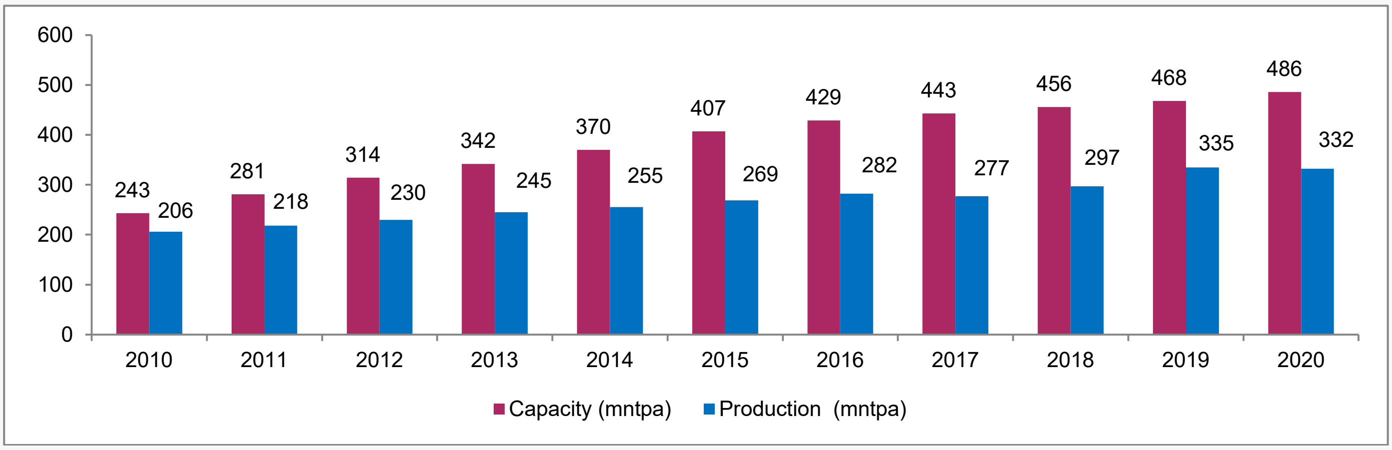
After China, India is the world's second largest cement producer and accounts for over 8% of the global installed capacity. The cement industry is one of the key drivers of the Indian economy and provides employment to over one million people. The housing or real estate sector accounts for almost 66% of cement consumption in India, while the rest is split between public infrastructure (22%) and industrial development (12%). The outlook for the cement industry continues to remain favorable with expected demand from the housing sector, primarily rural and affordable housing and improved Government focus on infrastructure segments, mainly roads, railway and irrigation projects.. The current capacity of cement industry is 500 mntpa and average capacity utilization remains between 65-70%. Like other commodity businesses, cement is a cyclical industry which is subject to peaks and troughs of growth every few years. During the peak phases, the demand growth reaches near double-digit levels, leading to sustained capacity utilisation at more than 90% and paving the way for fresh capacity addition. These periods of high growth are punctuated by the lean phases when demands tends to taper off causing capacity utilization to decline.

The industry plays a crucial role in the development of the housing and infrastructure sector of the economy. It has strong linkage to other sectors such as infrastructure, construction, housing, transportation, coal, power, steel etc. It plays pivotal role in implementing various government schemes like Housing for All, Smart Cities, Concrete Highways, Dedicated freight Corridors, Clean India Mission, Ultra Mega Power Projects, Waterways etc. India's cement demand is expected to reach 550-600 Million Tonnes per annum by 2025.Three most common cement types produced in India are OPC, PPC and PSC. Cement is one of the most technologically advanced industries in the country. The modern Indian cement plants are state-of-the-art plants and are comparable to the best in the world.

The cement industry comprises of 144 integrated large cement plants 107 grinding units, 62 mini cement plants and 5 clinkersation unit. Cement consumption in India is around 240 kg per capita against global average of 530 kg per capita, which shows significant potential for the growth of industry. The cement industry is highly cyclical in nature and its growth prospect is well tied up with the economic growth of the country. Important aspects to look into cement industry are a) Operating region demand supply dynamics b) Sources of raw material c) Power & Fuel d) Branding e) Capacity expansion f) Locational economics g) Product mix (OPC, PPC & PSC) h) Management quality.

Challenges faced by cement industry in India are a) Excess capacity b) Availabilty of sands c) High logistic cost d) Availabilty of rake from railway e) Input Prices f) GST @28%.

Exhibit 23: Cement industry Capacity and Production



Source: Company, Axis Securities

Exhibit 24: Cement production capacity region wise

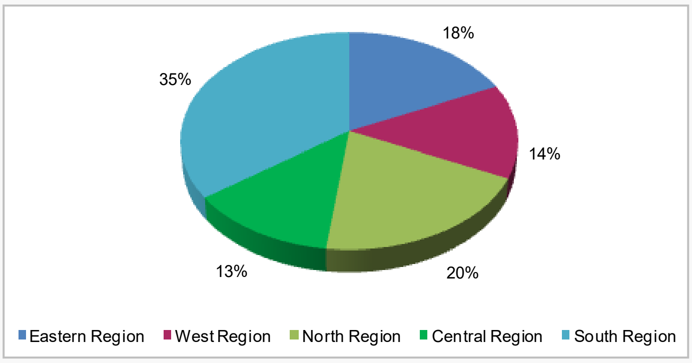
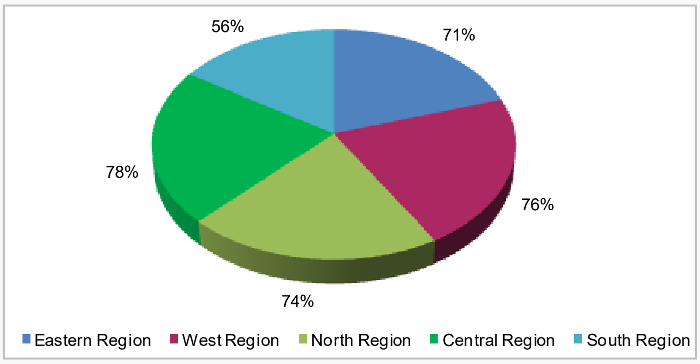


Exhibit 25: Cement capacity utilization region wise



Source: CMAI, Axis Securities

Financials

Profit & Loss

(Rs mn)

Y/E March	FY20A	FY21E	FY22E	FY23E
Net sales	96,740	89,096	113,472	124,157
Other operating income	0	0	0	0
Total income	96,740	89,096	113,472	124,157
Raw Material	17,460	15,889	20,020	21,821
Power & Fuel	17,380	15,642	19,709	21,483
Freight & Forwarding	18,950	17,055	21,319	23,024
Employee benefit expenses	6,750	6,750	7,425	8,168
Other Expenses	15,140	13,626	15,757	17,063
EBITDA	21,060	20,134	29,243	32,598
Other income	2,170	2,227	2,837	3,104
PBIDT	23,230	22,362	32,080	35,702
Depreciation	15,280	13,422	14,600	14,974
Interest & Fin Chg.	4,380	4,114	4,182	3,910
E/o income / (Expense)	0	0	0	0
Pre-tax profit	3,570	4,826	13,298	16,818
Tax provision	1,190	1,689	4,654	5,886
RPAT	2,380	3,137	8,644	10,932
Minority Interests	(140)	(140)	(140)	(140)
Associates	0	0	0	0
APAT after EO item	2,240	2,997	8,504	10,792

Source: Company, Axis Securities

Balance Sheet

(Rs mn)

Y/E March	FY20A	FY21E	FY22E	FY23E
Total assets	206,110	209,358	220,493	227,753
Net Block	141,270	141,213	140,249	131,503
CWIP	17,020	9,000	3,000	3,000
Investments	1,180	1,180	1,180	1,180
Wkg. cap. (excl cash)	5,420	5,614	6,839	7,483
Cash / Bank balance	4,030	5,854	7,126	7,005
Misc. Assets	37,190	46,497	62,098	77,581
Capital employed	206,110	209,358	220,493	227,753
Equity capital	390	390	390	390
Reserves	105,220	107,971	116,035	126,388
Minority Interests	250	250	250	250
Borrowings	54,210	60,500	61,500	57,500
Def tax Liabilities	12,770	12,800	12,800	12,800

Source: Company, Axis Securities

Cash Flow (Rs mn)

Y/E March	FY20A	FY21E	FY22E	FY23E
Profit before tax	3,570	4,826	13,298	16,818
Depriciation	15,280	13,422	14,600	14,974
Interest Expenses	3,640	4,114	4,182	3,910
Non operating/ EO item	(1,190)	(2,227)	(2,837)	(3,104)
Change in W/C	2,740	(234)	(1,225)	(644)
Income Tax	(660)	(1,689)	(4,654)	(5,886)
Operating Cash Flow	23,380	17,901	23,364	26,068
Capital Expenditure	(13,500)	(13,364)	(13,637)	(6,228)
Investments	0	(1,570)	(7,531)	(14,576)
Others	(4,100)	1,470	1,330	1,330
Investing Cash Flow	(17,600)	(12,566)	(18,331)	(17,700)
Borrowings	120	990	1,000	(4,000)
Interest Expenses	(4,680)	(4,114)	(4,182)	(3,910)
Dividend paid	(930)	(386)	(579)	(579)
Others	(430)	0	0	0
Financing Cash Flow	(5,920)	(3,510)	(3,761)	(8,489)
Change in Cash	(140)	1,824	1,272	(121)
Opening Cash	2,800	2,660	4,484	5,756
Closing Cash	2,660	4,484	5,756	5,635

Source: Company, Axis Securities

Ratio Analysis (%)

Y/E March	FY20A	FY21E	FY22E	FY23E
Operational Ratios				
Sales growth	2%	-8%	27%	9%
OPM	22%	23%	26%	26%
Op. profit growth	8%	-4%	45%	11%
COGS / Net sales	56%	55%	54%	53%
Overheads/Net sales	23%	23%	20%	20%
Depreciation / G. block	8.2%	6.5%	6.4%	6.4%
Effective interest rate	7%	7%	7%	7%
Efficiency Ratios				
Total Asset turnover (x)	0.47	0.43	0.51	0.55
Sales/Gross block (x)	0.43	0.50	0.53	0.53
Sales/Net block(x)	0.68	0.63	0.81	0.94
Working capital/Sales (x)	0.06	0.09	0.14	0.24
Valuation Ratios				
P/BV (x)	0.89	1.24	1.16	1.06
EV/Ebitda (x)	5.84	8.36	5.49	4.36
EV/Sales (x)	1.27	1.89	1.42	1.14
EV/Tonne $ (x)	63	65	58	51
Return Ratios				
ROE	2.24	2.93	7.67	8.97
ROCE	5.0	5.6	10.5	12.0
ROIC	6.16	7.13	14.26	18.05
Leverage Ratios				
Debt / equity (x)	0.56	0.56	0.53	0.45
Net debt/ Equity (x)	0.27	0.24	0.16	0.00
Debt service coverage ratio (x)	0.13	0.15	0.28	0.36
Interest Coverage ratio (x)	1.82	2.17	4.18	5.30
Cash Flow Ratios				
OCF/Sales	0.24	0.20	0.21	0.21
OCF/Ebitda	1.11	0.89	0.80	0.80
OCF/Capital Employed	0.15	0.11	0.14	0.15
FCF/Sales	0.10	0.05	0.09	0.16
Payout ratio (Div/NP)	17.2	12.9	6.8	5.4
AEPS (Rs.)	12.3	16.3	44.8	56.6
AEPS Growth	-31.8	31.8	175.6	26.5
CEPS (Rs.)	91	85	120	134
DPS (Rs.)	2	2	3	3

Source: Company, Axis Securities

About the analyst

Uttam Srimal

Research Analyst

Uttamkumar.srimal@axissecurities.in

Call: +91 70001 30614

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