

Retail Equity Research

Dalmia Bharat Limited

Cement

 BSE CODE: 542216 NSE CODE: DALBHARAT
 Bloomberg CODE: DALBHARA:IN SENSEX: 48,782

Buy

 12Month Investment period Rating as per Mid Cap
 CMP Rs.1,507 TARGET Rs.1,770 RETURN 17%
 (Closing: 30-04-21)

KEY CHANGES:
TARGET ↑

RATING ↔

EARNINGS ↑

Strong performance continues...

Dalmia Bharat Ltd (DBL) is the fourth largest cement company in India with a capacity of ~30.7MT, focusing in South with 12.1MT and East & North-East with 18.6MT.

- We maintain our Buy rating with a revised Target of Rs.1,770 (earlier Rs.1,650) considering strong volumes.
- Q4FY21 revenue grew by 32%YoY mainly aided by 24%YoY growth in volumes partially supported by low base. EBITDA growth was robust at 53%YoY as EBITDA margin grew by 320bps YoY to 23.7%.
- Out of 8MT capacity expansion in East, 3.35MT completed, and the balance to complete within 12-24 months. Total capacity would be ~38MT post expansion.
- For Murli Industries (acquisition-3MT in Maharashtra), commercial production is expected in 2HFY22.
- Despite expansion, debt repayment was strong at Rs.2,224cr in FY21 and currently it is net cash. DBL has plans to expand to ~55-60MT over next three years, but has put on hold due to current situation.
- Barring near-term uncertainty, demand outlook is positive in the long-term, given GoI's strong focus on infra & housing. We value DBL at 10x FY23E EV/EBITDA.

Strong volumes amidst challenges

DBL reported revenue growth of 32%YoY mainly aided by strong volume growth of 24%YoY partially supported by low base (volume growth -7% in Q4FY20) and 6.4% YoY growth in realisation. For FY21, DBL's volume growth was 7%YoY against 10-14% de-growth in industry volumes indicating market share gains. The ongoing capacity expansion and the ramp up in recent acquisitions will support future volume growth. Out of the 8MT ongoing expansion, 3.35MT has already completed and balance within 12-24 months. The company has improved its sales mix with improvement in trade sales and premium products which supports realisation. We factor revenue growth of ~12% CAGR over FY21-23E supported by capacity expansion/acquisitions and improvement in premium/trade mix.

Strong EBITDA margin due to cost reduction and better realisation

Controlling discretionary spending coupled with better realisation resulted in EBITDA margin improvement of 320bps YoY to 23.7%. EBITDA growth was robust at 53%YoY and on a per ton basis improved to Rs.1,209 Vs. Rs.983 YoY. Power & Fuel expenses increased by 18.5% YoY due to increase in pet coke prices (\$87 Vs \$66 YoY). Freight expenses increased 7%YoY due to surge in diesel prices. Pet coke prices started to increase since Q1FY21, which along with normalisation of discretionary spends is likely to impact the margins negatively in the coming quarters. Currently pet coke prices are at \$130 levels. The company has reduced pet coke mix to 54% Vs 70% QoQ. DBL is also setting up of Waste Heat Recovery (WHR)-30MW by FY23, which will reduce fuel cost. Additionally, the ramp up in the new clinker capacity will reduce raw material cost (cost advantage of ~Rs.70-75 per ton of clinker). Expect EBITDA/Ton to improve to Rs.1,236 in FY23 Vs Rs.1,092 (FY20). Reduction in debt will add to earnings growth. Any adverse price movements of cement, fuel and RM are the key risks.

Valuation & Outlook

Barring near-term uncertainty, demand outlook is positive given GoI's strong focus on infra & housing. DBL's capacity expansion will support to continue its volume growth above industry. The stock currently trades at ~11x 1Yr Fwd EV/EBITDA. We value DBL at 10x FY23 EV/EBITDA to arrive at a revised Target of Rs.1,770 (Rs1,650 earlier), and maintain Buy rating.

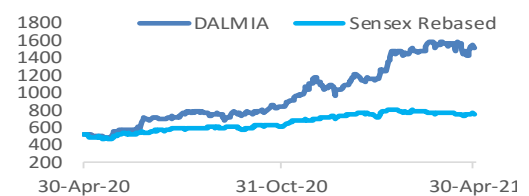
Company Data

Market Cap (Rs.cr)	28,196
Enterprise Value (Rs.cr)	28,584
Outstanding Shares (cr)	18.7
Free Float	44%
Dividend Yield	0.2%
52 week high Rs.	1690
52 week low Rs.	475
6m average volume (cr)	0.02
Beta	1.06
Face value Rs.	2

Shareholding %	Q2FY21	Q3FY21	Q4FY21
Promoters	56.1	56.1	56.0
FII's	14.2	13.5	13.5
MFs/Insti	3.6	3.9	5.0
Public	14.0	14.5	12.5
Others	12.1	11.9	13.1
Total	100	100	100
Promotor pledge	NIL	NIL	NIL

Price Performance	3 Month	6 Month	6 Month
Absolute Return	30.4%	78.7%	188.8%
Absolute Sensex	5.4%	23.1%	44.7%
Relative Return*	25.0%	55.6%	144.1%

*over or under performance to benchmark index



Consolidated (cr)	FY21A	FY22E	FY23E
Sales	10,522	11,538	13,115
Growth (%)	8.8	9.7	13.7
EBITDA	2,783	2,693	3,091
EBITDA Margin (%)	26.4	23.3	23.6
Adj. PAT	1,231	907	1,173
Growth (%)	454.5	-26.3	29.3
Adj. EPS	65.8	48.5	62.7
Growth (%)	454.5	-26.3	29.3
P/E	23.6	32.0	24.8
P/B	2.2	2.1	1.9
EV/EBITDA	10.3	10.4	8.4
ROE (%)	10.6	6.9	8.3
D/E	0.3	0.3	0.1

 Vincent Andrews
 Research Analyst

Quarterly Financials (Consolidated)

Profit & Loss

Rs cr)	Q4FY21	Q4FY20	YoY Growth (%)	Q3FY21	QoQ Growth (%)	FY21	FY20	YoY Growth (%)
Sales	3,281	2,483	32.1%	2,857	14.8%	10,522	9,674	8.8%
EBITDA	776	508	52.8%	691	12.3%	2,783	2,106	32.1%
EBITDA margins %	23.7%	20.5%	320bps	24.2%	(50bps)	26.4%	21.8%	550bps
Depreciation	330	375	-12.0%	329	0.3%	1,262	1,528	-17.4%
EBIT	446	133	235.3%	362	23.2%	1,521	578	163.1%
Interest	58	124	-53.2%	91	-36.3%	314	361	-13.0%
Other Income	40	56	-28.6%	46	-13.0%	182	217	-16.1%
Exceptional Items	0	0	0.0%	0	0.0%	0	0	0.0%
PBT	428	65	558.5%	317	35.0%	1,408	357	294.4%
Tax	-212	41	-617.1%	134	-258.2%	165	119	NA
Share of profit from associates	0	0	0.0%	0	0.0%	0	0	0.0%
Minority interest	13	0	0.0%	0	0.0%	12	16	0.0%
Reported PAT	627	24	2512.5%	182	244.5%	1,231	222	454.5%
Adjustments	0	0	0.0%	0	0.0%	0	-3	0.0%
Adj PAT	627	24	2512.5%	182	244.5%	1,231	219	462.1%
No. of Shares	18.7	19.3	-3.0%	19.3	-3.0%	18.7	18.7	0.0%
Adj EPS (Rs)	33.5	1.2	2593.5%	9.7	244.5%	65.5	11.4	476.8%

Per Tonne Analysis

	Q4FY21	Q4FY20	YoY Growth (%)	Q3FY21	QoQ Growth (%)
Cement Volume (MT)	6.42	5.17	24.2%	5.80	10.7%
Cost of materials consumed	869	998	-12.9%	826	5.2%
Employee Expenses	302	317	-4.7%	303	-0.4%
Power & Fuel	885	747	18.5%	860	2.8%
Freight & forwarding	1,051	983	7.0%	1,012	3.9%
Other expenses	794	776	2.4%	733	8.4%
Total expenses	3,902	3,820	2.1%	3,734	4.5%
Realisation (inc. RMC)	5,111	4,803	6.4%	4,926	3.8%
EBITDA	1,209	983	23.0%	1,191	1.5%

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	11,329	12,876	11,538	13,115	1.8%	1.9%
EBITDA	2,637	3,039	2,693	3,091	2.1%	1.7%
Margins (%)	23.3	23.6	23.3	23.6	(0bps)	(0bps)
Adj. PAT *	884	1,166	907	1,173	2.6%	0.6%
EPS	47.0	62.0	48.5	62.7	3.2%	1.1%

PROFIT & LOSS

Y.E March (Rs. cr)	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Revenue	8,582	9,484	9,674	10,522	11,538	13,115
% change	15.9	10.5	2.0	8.8	9.7	13.7
EBITDA	2,030	1,942	2,106	2,783	2,693	3,091
% change	6.7	-4.3	8.5	32.1	-3.2	14.8
Depreciation	1,213	1,296	1,528	1,262	1,442	1,511
EBIT	817	646	578	1,521	1,251	1,580
Interest	705	551	438	295	228	177
Other Income	277	235	217	182	273	273
PBT	389	330	357	1,408	1,296	1,676
% change	-45.1	-15.2	8.2	294.4	-7.9	29.3
Tax	98.0	-11.0	119.0	165.0	388.8	502.8
Tax Rate (%)	25.2%	-3.3%	33.3%	11.7%	30.0%	30.0%
Reported PAT	291.1	299.0	222.0	1,231.0	907.3	1,173.2
Adj*	0	0	0	0	0	0
Adj PAT	291.1	299.0	222.0	1,231.0	907.3	1,173.2
% change	-20.9	2.7	-25.8	454.5	-26.3	29.3
No. of shares (cr)	8.9	19.3	19.3	18.7	18.7	18.7
Adj EPS (Rs.)	15	16	12	66	48	63
% change	-20.9	-52.7	-25.8	454.5	-26.3	29.3
DPS (Rs.)	3	2	2	2	2	2
CEPS (Rs.)	169.1	82.7	90.7	133.2	125.6	143.5

CASH FLOW

Y.E March (Rs. cr)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Net inc. + Depn.	1,504	1,595	1,750	2,493	2,350	2,684
Non-cash adj.	-56	-112	139	120	389	503
Other adjustments	607	562	175	231	-161	-325
Changes in W.C	-585	-35	276	752	-683	-291
C.F. Operation	1,469	2,010	2,340	3,596	1,894	2,570
Capital exp.	-389	-4051	-1345	-1038	-1162	-200
Change in inv.	-757	1,077	-490	639	0	0
Other invest.CF	0	0	75	123	0	0
C.F - Investment	-1,146	-2,974	-1,760	-276	-1,162	-200
Issue of equity	6636	0	-3	-400	0	0
Issue/repay debt	-1,853	-1,949	-498	-2,966	-626	-1,776
Dividends paid	-27	-23	-93	0	-44	-44
Other finance.CF	523	0	0	0	0	0
C.F - Finance	8733	-1971	-594	-3366	-670	-1820
Chg. in cash	6,840	-2,936	-14	-46	62	550
Closing cash	323	280	266	258	320	870

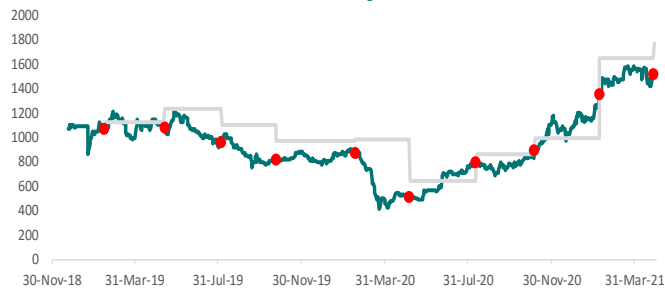
BALANCE SHEET

Y.E March (Rs. cr)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Cash	323	280	266	258	320	870
Accounts Receivable	524	549	397	688	632	719
Inventories	779	1,032	974	924	1,104	1,232
Other Cur. Assets	1,128	1,227	1,334	1,320	1,396	1,580
Investments	3,501	2,424	2,816	3,414	3,414	3,414
Gross Fixed Assets	11,022	11,854	12,362	14,955	16,555	16,955
Net Fixed Assets	9,125	9,086	8,587	10,119	10,474	9,550
CWIP	168	501	1,702	938	500	300
Intangible Assets	4,912	4,506	4,006	3,694	3,496	3,309
Def. Tax (Net)	-1,422	-1,279	-1,277	-1,634	-1,634	-1,634
Other Assets	876	932	529	455	616	701
Total Assets	19,914	19,259	19,334	20,176	20,320	20,042
Current Liabilities	2,984	3,123	3,377	3,904	3,494	3,599
Provisions	156	311	281	335	348	395
Debt Funds	6,322	4,923	4,850	3,060	2,660	1,060
Other Liabilities	117	263	265	251	328	368
Equity Capital	6,654	39	39	37	37	37
Reserves & Surplus	3,681	10,600	10,522	12,589	13,453	14,582
Shareholder's Fund	10,335	10,639	10,561	12,626	13,490	14,620
Total Liabilities	19,914	19,259	19,334	20,176	20,320	20,042
BVPS (Rs.)	1,162	402	403	531	578	638

RATIOS

Y.E March	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Profitab. & Return						
EBITDA margin (%)	23.7	20.5	21.8	26.4	23.3	23.6
EBIT margin (%)	9.5	6.8	6.0	14.5	10.8	12.0
Net profit mgn.(%)	3.4	3.2	2.3	11.7	7.9	8.9
ROE (%)	3.8	2.9	2.1	10.6	6.9	8.3
ROCE (%)	4.7	3.3	2.7	8.1	4.7	5.6
W.C & Liquidity						
Receivables (days)	23.8	20.6	17.8	18.8	20.9	18.8
Inventory (days)	30.4	34.9	37.8	32.9	32.1	32.5
Payables (days)	113.7	93.3	89.4	99.4	92.6	82.8
Current ratio (x)	1.6	1.3	1.2	1.3	1.6	1.9
Quick ratio (x)	0.2	0.2	0.1	0.2	0.2	0.4
Turnover & Leverage						
Gross asset T.O (x)	0.8	0.8	0.8	0.8	0.7	0.8
Total asset T.O (x)	0.5	0.5	0.5	0.5	0.6	0.6
Int. coverage ratio (x)	1.2	1.2	1.3	5.2	5.5	8.9
Adj. debt/equity (x)	0.7	0.6	0.6	0.3	0.3	0.1
Valuation						
EV/Sales (x)	3.8	3.4	3.3	2.7	2.4	2.0
EV/EBITDA (x)	16.0	16.6	15.1	10.3	10.4	8.4
P/E (x)	46.0	97.2	130.9	23.6	32.0	24.8
P/BV (x)	1.3	2.7	2.8	2.2	2.1	1.9

Recommendation Summary



Source: Bloomberg, Geojit Research

Dates	Rating	Target
24-Oct-19	Buy	975
17-Feb-20	Buy	985
7-May-20	Buy	640
13-Aug-20	Accumulate	865
09-Nov-20	Accumulate	1,000
10-Feb-21	Buy	1,650
03-May-21	Buy	1,770

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

General Disclosures and Disclaimers

CERTIFICATION

I, Vincent K A, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

COMPANY OVERVIEW

Geojit Financial Services Limited (hereinafter Geojit), a publically listed company, is engaged in services of retail broking, depository services, portfolio management and marketing investment products including mutual funds, insurance and properties. Geojit is a SEBI registered Research Entity and as such prepares and shares research data and reports periodically with clients, investors, stake holders and general public in compliance with Securities and Exchange Board of India Act, 1992, Securities And Exchange Board Of India (Research Analysts) Regulations, 2014 and/or any other applicable directives, instructions or guidelines issued by the Regulators from time to time.

DISTRIBUTION OF REPORTS

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Geojit will not treat the recipients of this report as clients by virtue of their receiving this report.

GENERAL REPRESENTATION

The research reports do not constitute an offer or solicitation for the purchase or sale of any financial instruments, inducements, promise, guarantee, warranty, or as an official confirmation of any transaction or contractual obligations of any kind. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. We have also reviewed the research report for any untrue statements of material facts or any false or misleading information. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

RISK DISCLOSURE

Geojit and/or its Affiliates and its officers, directors and employees including the analyst/authors shall not be in any way be responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Investors may lose his/her entire investment under certain market conditions so before acting on any advice or recommendation in these material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. This report does not take into account the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this



report (including the merits and risks involved). The price, volume and income of the investments referred to in this report may fluctuate and investors may realize losses that may exceed their original capital.

FUNDAMENTAL DISCLAIMER

We have prepared this report based on information believed to be reliable. The recommendations herein are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. The stocks always carry the risk of being upgraded to buy or downgraded to a hold, reduce or sell. The opinions expressed are subject to change but we have no obligation to tell our clients when our opinions or recommendations change. This report is non-inclusive and does not consider all the information that the recipients may consider material to investments. This report is issued by Geojit without any liability/undertaking/commitment on the part of itself or any of its entities. We may have issued or may issue on the companies covered herein, reports, recommendations or information which is contrary to those contained in this report. The projections and forecasts described in this report should be evaluated keeping in mind the fact that these are based on estimates and assumptions and will vary from actual results over a period of time. The actual performance of the companies represented in the report may vary from those projected. These are not scientifically proven to guarantee certain intended results and hence, are not published as a warranty and do not carry any evidentiary value whatsoever. These are not to be relied on in or as contractual, legal or tax advice. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

JURISDICTION

The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. Distributing/taking/sending/dispatching/transmitting this document in certain foreign jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Failure to comply with this restriction may constitute a violation of any foreign jurisdiction laws. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. Investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk.

REGULATORY DISCLOSURES:

Geojit's Associates consists of privately held companies such as Geojit Technologies Private Limited (GTPL- Software Solutions provider), Geojit Credits Private Limited (GCPL- NBFC Services provider), Geojit Investment Services Limited (GISL- Corporate Agent for Insurance products), Geojit Financial Management Services Private Limited (GFMSL) & Geojit Financial Distribution Private Limited (GFDPL), (Distributors of Insurance and MF Units). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership*:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership greater than 1% in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

he/his associates/his relatives holds shares in the subject companies/has other financial interest in the subject companies.

he, his associates and his relatives have no actual/beneficial ownership greater than 1% in the subject company covered

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Vincent K A, Research Analyst(s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. (formerly known as Geojit BNP Paribas Financial Services Ltd.), Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com, For grievances: grievances@geojit.com, For compliance officer: compliance@geojit.com.

Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226

