

May 2, 2021

Q4FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	2,140		2,070	
Sales (Rs. m)	1,24,677	1,39,637	1,24,419	1,38,556
% Chng.	0.2	0.8		
EBITDA (Rs. m)	27,207	31,332	27,287	31,203
% Chng.	(0.3)	0.4		
EPS (Rs.)	46.0	62.8	40.8	55.3
% Chng.	12.7	13.6		

Key Financials - Consolidated

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	96,740	1,05,201	1,24,677	1,39,637
EBITDA (Rs. m)	20,830	27,875	27,207	31,332
Margin (%)	21.5	26.5	21.8	22.4
PAT (Rs. m)	4,090	9,948	8,591	11,732
EPS (Rs.)	21.2	53.3	46.0	62.8
Gr. (%)	34.0	151.3	(13.6)	36.6
DPS (Rs.)	2.0	1.3	1.3	1.3
Yield (%)	0.1	0.1	0.1	0.1
RoE (%)	14.4	18.7	13.6	14.4
RoCE (%)	12.1	16.9	14.5	16.4
EV/Sales (x)	3.3	2.7	2.2	1.8
EV/EBITDA (x)	15.4	10.2	10.1	8.2
PE (x)	71.1	28.3	32.8	24.0
P/BV (x)	2.8	2.2	2.1	1.9

Key Data DALB.BO | DALBHARA IN

52-W High / Low	Rs.1,691 / Rs.475
Sensex / Nifty	48,782 / 14,631
Market Cap	Rs.282bn / \$ 3,805m
Shares Outstanding	187m
3M Avg. Daily Value	Rs.674.32m

Shareholding Pattern (%)

Promoter's	55.97
Foreign	13.46
Domestic Institution	4.96
Public & Others	25.60
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(5.2)	78.7	188.8
Relative	(3.8)	45.1	99.6

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Higher realisations drove the beat; B/S in strong shape

Quick Pointers:

- Gross Debt fell 18%/Rs8.5bn QoQ (down 37%/Rs22.2bn YoY) to Rs37.4bn, lowest levels in last eight years
- Net debt fell to Rs1bn (Rs14bn in Q3) due to gross debt reduction of Rs8.5bn and Rs6bn increase in current investments due to MTM gain on IEX holding
- Delayed announcements of new expansion projects due to covid-19.

Dalmia Bharat (DALBHARA) reported Q4FY21 EBITDA above our/consensus estimates (CE) by 8%/6%. Stronger than expected realisations drove the beat, partially offset by higher costs.

As against the consensus of softer profitability in East region due to sharp surge in new capacities, region delivered sharp turn-around in margins on back of steep increase in prices. We expect DALBHARA's East operations to maintain 20% higher margins over region's average at Rs1,100/t on back of its advantageous plant locations having lead distance lower by 250kms over its peers. Underpinned by 1) highly efficient operations- ranks among Top-5 players on margins in the sector, 2) sizeable operations- 4th largest player with 30.8mnt capacity (growing to 39mnt by FY23) and 3) attractive valuations- EV/EBITDA:10.1x/8.2x FY22e/FY23e at near ~40% discount to its peers, we maintain BUY rating with TP of Rs2,140, EV/EBITDA of 12x FY23e.

- Higher prices helped maintain margins QoQ:** Driven by expansion led volume growth in East region and weak base, volumes grew 24% YoY at 6.4mnt (PLe:6.5mnt). Realisations rose 7.8% YoY/Rs355/t (+3.8% QoQ/Rs180/t) at Rs4,895/t, above our estimate of Rs4,717/t. Cost increased 3.5% YoY at Rs3,705, missing our estimate of Rs3,650 due to higher than expected freight cost. Due to sharp increase in realisations offset by marginally higher costs, EBITDA/t came above our estimates at Rs1,190 (PLe:Rs1,065), +24% YoY. EBITDA grew 53% YoY at Rs7.8bn (PLe:Rs7.2bn). Aided by steep reduction in interest cost by 53% (PLe:23% fall) at Rs0.6bn, PBT grew 31% YoY at Rs4.3bn (PLe:Rs3.3bn). Company adopted lower tax rate regime of 25.17% in the quarter. Led by lower tax rate, Adj. PAT came above our estimate at Rs3.0bn (PLe:Rs2.1bn/CE:Rs2.1bn), up 4.9x YoY.
- Key takeaways of earnings call:** 1) Pet coke consumption price increased 5% QoQ to US\$87/t 2) Current pet coke prices higher by 52% at US\$132/t over Q4 consumption price 3) Commissioning of 2.25mnt grinding unit at Odisha delayed by a quarter with revised timeline of Q2FY22 end 4) Greenfield 2.5mnt grinding unit at Bihar would be commissioned in Q4FY23 5) Production at acquired 3.0mnt plant of Murli Industries in Maharashtra would commence in H2FY22 6) Spent Rs10.5bn on capex in FY21 which includes Rs5.0bn/1.7bn/Rs3.8bn for ongoing expansion in East/Murli plant/modernisation, upgradation and maintenance 7) Balance capex of Rs9.6bn/Rs2.8bn on expansion in East/Murli would be spent over FY22-FY23

Exhibit 1: Q4FY21 Result Overview (Rs mn)

Y/e March (Rs mn)	Q4FY21	Q4FY20	YoY gr. (%)	Q3FY21	FY21	FY20	YoY gr. (%)
Net Sales	32,810	24,830	32.1	28,570	1,05,220	96,740	8.8
Raw Material	5,580	5,160	8.1	4,790	17,800	17,460	1.9
<i>% of Net Sales</i>	<i>17.0</i>	<i>20.8</i>		<i>16.8</i>	<i>16.9</i>	<i>18.0</i>	
Staff Costs	1,940	1,640	18.3	1,760	7,130	6,750	5.6
<i>% of Net Sales</i>	<i>5.9</i>	<i>6.6</i>		<i>6.2</i>	<i>6.8</i>	<i>7.0</i>	
Power & Fuel	5,680	3,860	47.2	4,990	16,720	17,380	(3.8)
<i>% of Net Sales</i>	<i>17.3</i>	<i>15.5</i>		<i>17.5</i>	<i>15.9</i>	<i>18.0</i>	
Freight	5,910	4,480	31.9	5,080	20,870	18,950	10.1
<i>% of Net Sales</i>	<i>18.0</i>	<i>18.0</i>		<i>17.8</i>	<i>19.8</i>	<i>19.6</i>	
Other Expenses	5,940	4,610	28.9	5,040	14,870	15,140	(1.8)
<i>% of Net Sales</i>	<i>18.1</i>	<i>18.6</i>		<i>17.6</i>	<i>14.1</i>	<i>15.7</i>	
Total Expenditure	25,050	19,750	26.8	21,660	77,390	75,680	2.3
EBITDA	7,760	5,080	52.8	6,910	27,830	21,060	32.1
<i>Margin (%)</i>	<i>23.7</i>	<i>20.5</i>		<i>24.2</i>	<i>26.4</i>	<i>21.8</i>	
Depreciation	3,300	3,750	(12.0)	3,290	12,620	15,280	(17.4)
Other income	400	560	(28.6)	460	1,820	2,170	(16.1)
EBIT	4,860	1,890	157.1	4,080	17,030	7,950	114.2
Interest	580	1,240	(53.2)	910	2,950	4,380	(32.6)
PBT	4,280	650	558.5	3,170	14,080	3,570	294.4
Extraordinary income/(expense)	-	-		-	-	-	
PBT (After EO)	4,280	650	-	3,170	14,080	3,570	294.4
Tax	(2,120)	410	-	1,340	1,650	1,190	38.7
<i>% PBT</i>	<i>-49.5</i>	<i>63.1</i>		<i>42.3</i>	<i>11.7</i>	<i>33.3</i>	
Reported PAT	6,400	240	2,566.7	1,830	12,430	2,380	422.3
Minority Interest	130	(20)		10	120	140	(14.3)
Net Profit Attributable to shareholders	6,270	260	2,311.5	1,820	12,310	2,240	449.6
Adjusted PAT	3,970	510	678.4	1,810	10,000	2,490	301.6

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March (Rs mn)	Q4FY21	Q4FY20	YoY gr. (%)	Q3FY21	FY21	FY20	YoY gr. (%)
Volume (mn te) - Cement	6.4	5.2	24.2	5.8	20.7	19.3	7.2
Realisations (Rs/te) - Cement	4,896	4,540	7.8	4,717	4,879	4,691	4.0
Cement EBITDA (Rs/te)	1,191	961	23.9	1,172	1,333	814	63.8

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	96,740	1,05,201	1,24,677	1,39,637
YoY gr. (%)	2.0	8.7	18.5	12.0
Cost of Goods Sold	17,460	18,928	23,555	26,147
Gross Profit	79,280	86,274	1,01,122	1,13,490
Margin (%)	82.0	82.0	81.1	81.3
Employee Cost	6,750	6,831	7,241	7,603
Other Expenses	4,800	4,114	4,669	5,014
EBITDA	20,830	27,875	27,207	31,332
YoY gr. (%)	6.8	33.8	(2.4)	15.2
Margin (%)	21.5	26.5	21.8	22.4
Depreciation and Amortization	13,080	12,623	13,856	14,219
EBIT	7,750	15,252	13,351	17,113
Margin (%)	8.0	14.5	10.7	12.3
Net Interest	4,150	2,951	2,427	1,785
Other Income	2,170	1,726	1,548	1,646
Profit Before Tax	3,570	14,028	12,472	16,974
Margin (%)	3.7	13.3	10.0	12.2
Total Tax	1,190	1,650	3,742	5,092
Effective tax rate (%)	33.3	11.8	30.0	30.0
Profit after tax	2,380	12,378	8,731	11,882
Minority interest	140	120	140	150
Share Profit from Associate	-	-	-	-
Adjusted PAT	4,090	9,948	8,591	11,732
YoY gr. (%)	34.1	143.2	(13.6)	36.6
Margin (%)	4.2	9.5	6.9	8.4
Extra Ord. Income / (Exp)	(2,200)	-	-	-
Reported PAT	2,240	12,258	8,591	11,732
YoY gr. (%)	(27.3)	447.2	(29.9)	36.6
Margin (%)	2.3	11.7	6.9	8.4
Other Comprehensive Income	(2,110)	-	-	-
Total Comprehensive Income	270	12,378	8,731	11,882
Equity Shares O/s (m)	193	187	187	187
EPS (Rs)	21.2	53.3	46.0	62.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	1,87,440	2,14,889	2,24,998	2,35,708
Tangibles	1,87,440	2,14,889	2,24,998	2,35,708
Intangibles	-	-	-	-
Acc: Dep / Amortization	61,890	74,513	88,368	1,02,588
Tangibles	61,890	74,513	88,368	1,02,588
Intangibles	-	-	-	-
Net fixed assets	1,25,550	1,40,376	1,36,629	1,33,120
Tangibles	1,25,550	1,40,376	1,36,629	1,33,120
Intangibles	-	-	-	-
Capital Work In Progress	19,330	6,342	9,032	4,830
Goodwill	-	-	-	-
Non-Current Investments	2,500	2,513	2,543	2,567
Net Deferred tax assets	(12,770)	(14,200)	(14,824)	(15,672)
Other Non-Current Assets	2,040	1,630	1,630	1,630
Current Assets				
Investments	26,980	32,481	32,481	32,481
Inventories	9,740	9,223	11,272	12,625
Trade receivables	3,970	4,323	5,124	5,739
Cash & Bank Balance	4,030	2,308	7,865	14,127
Other Current Assets	4,190	4,590	5,090	5,590
Total Assets	2,06,110	2,10,717	2,18,646	2,19,737
Equity				
Equity Share Capital	390	378	378	378
Other Equity	1,05,220	1,25,281	1,33,623	1,45,106
Total Network	1,05,610	1,25,659	1,34,001	1,45,484
Non-Current Liabilities				
Long Term borrowings	60,490	38,177	34,808	21,304
Provisions	1,400	2,340	2,340	2,340
Other non current liabilities	2,190	1,940	1,690	1,440
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	8,320	10,376	11,272	12,625
Other current liabilities	15,080	17,655	19,202	20,213
Total Equity & Liabilities	2,06,110	2,10,717	2,18,646	2,19,737

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	3,570	14,028	12,472	16,974
Add. Depreciation	15,280	12,623	13,856	14,219
Add. Interest	3,640	2,951	2,427	1,785
Less Financial Other Income	2,170	1,726	1,548	1,646
Add. Other	(1,200)	(1,156)	(878)	(976)
Op. profit before WC changes	21,290	28,445	27,877	32,002
Net Changes-WC	2,740	6,332	(1,237)	(427)
Direct tax	(660)	(220)	(3,118)	(4,243)
Net cash from Op. activities	23,370	34,556	23,522	27,332
Capital expenditures	(13,380)	(14,460)	(12,799)	(6,508)
Interest / Dividend Income	750	1,156	878	976
Others	(4,970)	6,720	-	-
Net Cash from Inv. activities	(17,600)	(6,584)	(11,921)	(5,532)
Issue of share cap. / premium	-	(4,045)	-	-
Debt changes	(310)	(22,313)	(3,369)	(13,504)
Dividend paid	(930)	(386)	(248)	(248)
Interest paid	(4,670)	(2,951)	(2,427)	(1,785)
Others	-	-	-	-
Net cash from Fin. activities	(5,910)	(29,694)	(6,044)	(15,538)
Net change in cash	(140)	(1,722)	5,557	6,262
Free Cash Flow	9,870	24,096	10,723	20,823

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	19,740	24,100	28,570	32,810
YoY gr. (%)	(22.2)	7.8	18.2	32.1
Raw Material Expenses	3,510	3,920	4,790	5,580
Gross Profit	16,230	20,180	23,780	27,230
Margin (%)	82.2	83.7	83.2	83.0
EBITDA	6,140	7,020	6,910	7,760
YoY gr. (%)	(7.8)	47.8	51.2	52.8
Margin (%)	31.1	29.1	24.2	23.7
Depreciation / Depletion	3,010	3,020	3,290	3,300
EBIT	3,130	4,000	3,620	4,460
Margin (%)	15.9	16.6	12.7	13.6
Net Interest	730	730	910	580
Other Income	550	410	460	400
Profit before Tax	2,950	3,680	3,170	4,280
Margin (%)	14.9	15.3	11.1	13.0
Total Tax	1,070	1,360	1,340	(2,120)
Effective tax rate (%)	36.3	37.0	42.3	(49.5)
Profit after Tax	1,880	2,320	1,830	6,400
Minority interest	(20)	-	10	130
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,900	2,320	1,810	3,970
YoY gr. (%)	29.3	759.3	654.2	678.4
Margin (%)	9.6	9.6	6.3	12.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,900	2,320	1,820	6,270
YoY gr. (%)	29.3	759.3	658.3	2,311.5
Margin (%)	9.6	9.6	6.4	19.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,900	2,320	1,820	6,270
Avg. Shares O/s (m)	195	187	187	187
EPS (Rs)	9.7	12.4	9.7	21.3

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	21.2	53.3	46.0	62.8
CEPS	89.0	120.8	120.2	138.9
BVPS	547.3	672.7	717.4	778.9
FCF	51.2	129.0	57.4	111.5
DPS	2.0	1.3	1.3	1.3
Return Ratio(%)				
RoCE	12.1	16.9	14.5	16.4
ROIC	3.8	10.3	7.4	9.9
RoE	14.4	18.7	13.6	14.4
Balance Sheet				
Net Debt : Equity (x)	0.3	0.0	0.0	(0.2)
Net Working Capital (Days)	20	11	15	15
Valuation(x)				
PER	71.1	28.3	32.8	24.0
P/B	2.8	2.2	2.1	1.9
P/CEPS	16.9	12.5	12.5	10.8
EV/EBITDA	15.4	10.2	10.1	8.2
EV/Sales	3.3	2.7	2.2	1.8
Dividend Yield (%)	0.1	0.1	0.1	0.1

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Volume (mn te)-Cement	19	21	24	27
Cement Realisations (Rs/te)	4,686	4,842	4,985	4,939
Cement EBITDA (Rs/te)	1,072	1,343	1,133	1,151
Raw material cost (Rs/te)	905	915	986	965
Power & Fuel cost (Rs/te)	901	810	1,044	1,004
Freight cost (Rs/te)	982	983	1,013	1,023

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Apr-21	BUY	2,070	1,563
2	03-Mar-21	BUY	1,480	1,498
3	06-Feb-21	BUY	1,480	1,240
4	09-Jan-21	BUY	1,480	1,204
5	06-Jan-21	BUY	1,480	1,118

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	2,150	1,877
2	Ambuja Cement	BUY	375	314
3	Coal India	Hold	143	134
4	Dalmia Bharat	BUY	2,070	1,563
5	Heidelberg Cement India	Hold	218	239
6	Hindalco Industries	BUY	360	316
7	Hindustan Zinc	Reduce	260	296
8	Jindal Steel & Power	Accumulate	500	444
9	JK Lakshmi Cement	BUY	545	420
10	JSW Steel	Reduce	335	375
11	NMDC	BUY	145	118
12	Shree Cement	Hold	26,545	30,150
13	Steel Authority of India	Accumulate	66	58
14	Tata Steel	Accumulate	800	690
15	The Ramco Cements	Reduce	945	1,042
16	Ultratech Cement	BUY	7,370	6,737

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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