

CMP: INR 2,232

Rating: Buy

Target: INR 2,776

Stock Info

BSE	542216
NSE	DALBHARAT
Bloomberg	DALBHARA:IN
Sector	Cement
Face Value (INR)	2
Equity Capital (INR mn)	380
Mkt Cap (INR mn)	417,520
52w H/L (INR)	2,496 / 1,601
Avg Yearly Volume (in 000')	363

Shareholding Pattern %

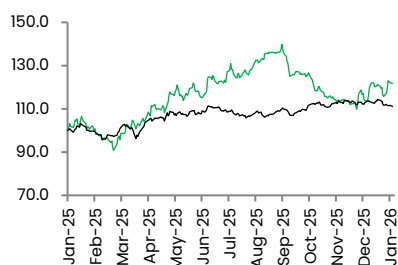
(As on September, 2024)

Promoters	55.8
DII	19
FII	7.9
Public & Others	17.3

Stock Performance (%) 1m 6m 12m

DALBHARAT	10.8%	-1%	26%
NIFTY	-3.9%	0.3%	9.3%

DALBHARAT vs Nifty



— Dalmia Bharat — Nifty 50

Dalmia Bharat reported a moderate Q3FY26 performance, largely tracking our expectations, with strong YoY volume-led growth but pressure on margins owing to sequential price softness in key regions. Revenue for Q3FY26 stood at INR 35,060 Mn, up 10.0% YoY / 3.0% QoQ, broadly in line with our estimate of INR 35,010 Mn. Topline growth was primarily driven by robust volume growth of 9.5% YoY to 7.3 MnT (above our estimate of 7.0 MnT), supported by improved demand traction post-monsoon and festive season recovery. However, realizations remained subdued at INR 4,779/T, up a modest 1.0% YoY but down ~4.0% QoQ, missing expectations due to sharper-than-anticipated price correction in the East and South following the GST cut.

Operating performance reflected pricing pressure, with EBITDA margin at 17.2%, up 111 bps YoY but down 320 bps QoQ, below our estimate of 18.5%. EBITDA/ton stood at INR 821/T (up 8% YoY / down 19% QoQ vs. est. INR 925/T), while EBITDA was INR 6,720 Mn, up ~18% YoY. Cost control remained supportive, with raw material cost up ~2% YoY to INR 780/T and power & fuel cost stable at INR 1,019/T, aided by higher renewable energy usage (48% of power mix), partly offset by higher marketing spends and planned shutdowns. PAT came in at INR 1,280 Mn, up 94% YoY but down 46% QoQ, with a PAT margin of 3.6%, reflecting sequential margin compression from weaker realizations.

Structural cost leadership with further downside protection

Management reiterated confidence in delivering INR 150–200/T of cost savings, with INR 45–50/T already structurally realized, despite external headwinds such as mineral taxes and fuel volatility. Stable raw material and power & fuel costs in Q3FY26, higher renewable energy penetration (48% of power mix), and logistics efficiencies reinforce Dalmia's position as one of the lowest-cost cement producers, providing margin resilience and operating leverage as pricing normalizes.

Expansion roadmap offers strong medium-term volume visibility

Dalmia Bharat has articulated a phased capacity expansion plan with clear plant-level visibility. Ongoing projects include a 3.6 MTPA clinker line at Umrangso (Assam), which fully clinker-backs the company's ~8.0 MTPA cement capacity in the Northeast, one of its highest-margin regions. Further, brownfield cement expansions at Belgaum (3.0 MTPA), Pune (2.9 MTPA) and Kadapa (3.0 MTPA) are progressing as per schedule, taking total installed capacity to ~61.5 MTPA over the near term. Beyond this, management targets scaling capacity to ~75 MTPA by FY28, led by the Jaisalmer integrated project (7–8 MTPA) and a potential split grinding unit to monetize surplus clinker from the Northeast, underpinning sustained volume growth with disciplined capital deployment.

Outlook & Valuation We expect **H2FY26 demand to improve**, supported by a pick-up in construction activity after the monsoon, higher government infrastructure spending, and gradual recovery in housing demand. While pricing remained weak in Q3FY26, management commentary indicates **early signs of price stabilisation in Q4**, which, along with sustained cost-control initiatives, should support margin recovery. **We maintain our BUY rating with a target price of INR 2,776**, factoring in 15.5% revenue CAGR and 21% EBITDA CAGR over FY26E–28E.

Key Financials

Particulars	FY24	FY25E	FY26E	FY27E	FY28E
Net revenue	1,46,910	1,39,800	1,46,434	1,71,964	1,95,449
EBITDA	26,390	24,070	27,663	35,409	41,027
EBITDAM (%)	18.0	17.2	19.4	19.9	20.3
APAT	8,540	6,990	7,028	10,045	11,338
APATM (%)	5.8	5.0	5.2	5.3	5.2
EPS (Rs)	44.9	36.8	43.2	47.9	54.0
EV/EBITDA	15.3	17.0	13.6	11.9	10.3
RoE (%)	5.2	4.0	4.6	4.9	5.3

Source: Arihant Research, Company Filings

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Q3FY26 Concall Key Takeaways

Demand and Industry Environment

- Cement demand improved meaningfully in Q3FY26, with industry volumes growing ~7–8% YoY, aided by post-monsoon recovery and festive season demand.
- Management expects FY26 industry demand growth of ~6% YoY, with Q4FY26 likely to see high single-digit growth driven by infrastructure execution and housing activity.
- Pricing softened beyond the GST cut impact, particularly in East and South, though early signs of price stabilisation and marginal recovery were seen in January.
- Medium-to-long-term demand outlook remains constructive, supported by sustained government infrastructure spending, urbanisation, and housing demand.

Financial Performance

- Revenue grew ~10% YoY to INR 35.06 Bn, driven by strong volume growth of 9.5% YoY to 7.3 MnT; realizations were marginally higher YoY but declined sequentially.
- EBITDA rose ~18% YoY to INR 6.72 Bn, though margins moderated to 17.2% due to pricing pressure and higher other expenses.
- EBITDA/ton stood at INR 823, up ~8% YoY but down sharply QoQ due to realization decline.
- PAT grew 94% YoY to INR 1.28 Bn, though declined sequentially due to margin compression and higher costs.

Cost Structure and Efficiency

- Raw material cost/ton increased only ~2% YoY to INR 780, despite mineral tax levy in Tamil Nadu.
- Power & fuel cost/ton rose just ~1% YoY to INR 1,019, supported by stable blended fuel prices and improved fuel mix.
- Renewable energy share reached 48% of total power consumption; 23 MW of RE capacity commissioned during the quarter.
- Logistics cost declined ~5.6% YoY, aided by higher direct dispatches (62%) and improved operational efficiencies.
- Structural cost savings of ~INR 45–50/T already realised, with management reiterating confidence in achieving the INR 150–200/T cost take-out target over time.

Capacity Expansion and Capex

- Umrangso, Assam clinker line (3.6 MTPA) commenced commercial production in Q3FY26, fully clinker-backing the ~8 MTPA Northeast cement capacity, one of the company's highest-margin regions.
- Belgaum, Pune, and Kadapa expansions are progressing as planned, with major equipment orders placed and civil works underway.
- Total cement capacity to increase to ~61.5 MTPA in the near term.
- Management reiterated the ~75 MTPA capacity target by FY28, with the Jaisalmer integrated project (7–8 MTPA) under active evaluation and decision expected in the coming months.
- Q3FY26 Capex stood at INR 5.13 Bn, taking 9MFY26 Capex to INR 17.03 Bn; FY26 Capex guidance maintained at ~INR 27 Bn.

Incentives, Balance Sheet, and Cash Flow

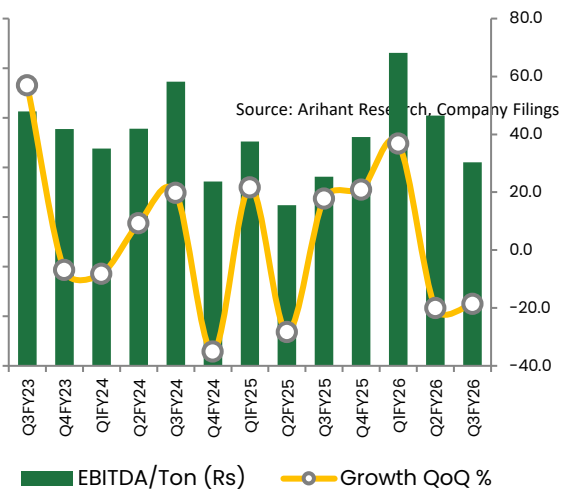
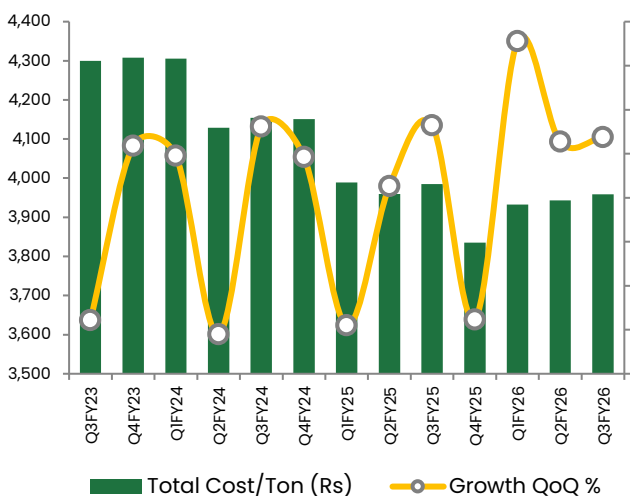
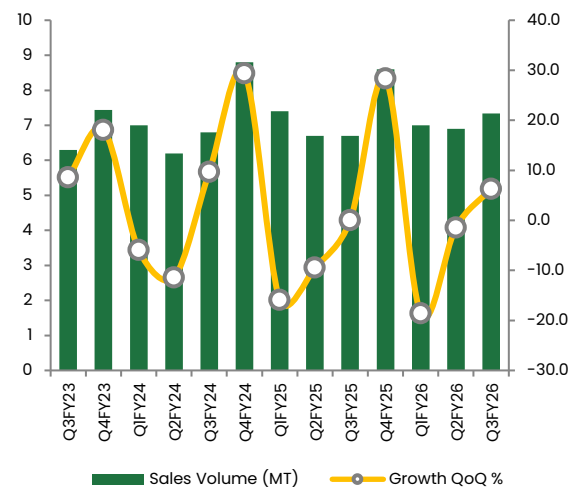
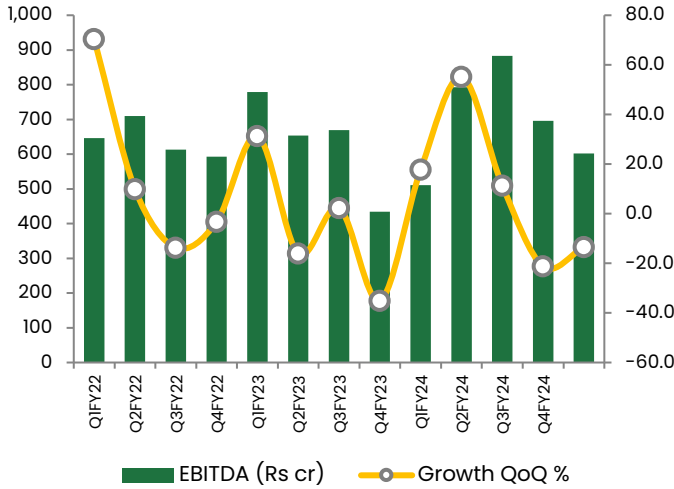
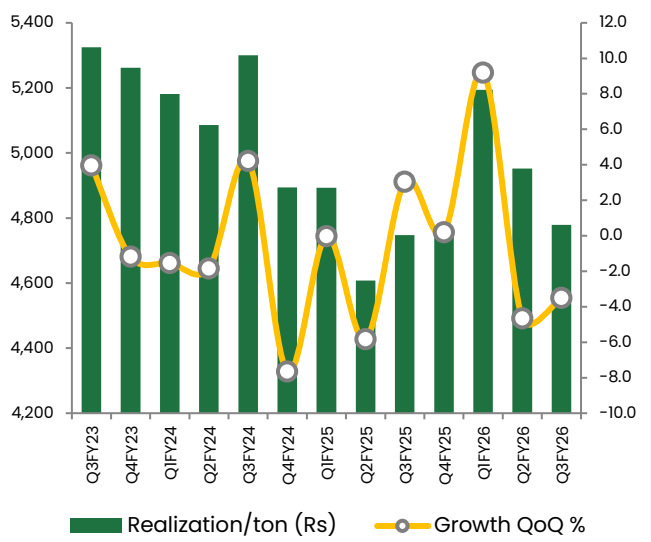
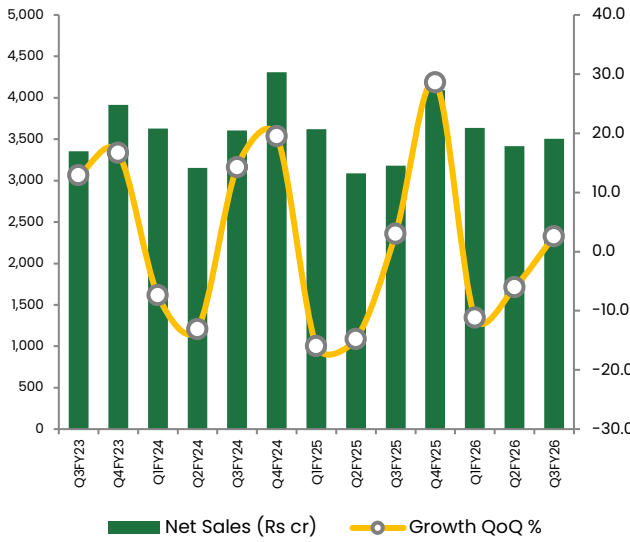
- Incentive accrual during Q3FY26 was INR 0.91 Bn, including INR 0.37 Bn pertaining to prior periods; collections stood at INR 1.21 Bn, reducing outstanding incentives to INR 7.26 Bn.
- Incentive run-rate expected to normalize at ~INR 2.0 Bn annually going forward.
- Gross debt stood at INR 68.44 Bn, while net debt declined to INR 17.03 Bn.
- Net Debt/EBITDA remained comfortable at 0.6x, providing strong balance sheet flexibility to fund expansion plans.

Q3FY26 - Quarterly Performance (Consolidated)

Particulars	Q3FY26	Q3FY25	Y-o-Y %	Q2FY26	Q-o-Q %
Net Sales	35060	31810	10	34170	3
Cost of Raw Materials	5740	5100	13	5470	5
(Increase) / Decrease In Stocks	100	20	400	-420	-124
Total Raw material cost	5840	5120	14	5050	16
Gross Profit	29220	26690	9	29120	0
Gross Margins %	83.3	83.9	-56bps	85.2	-188bps
Employee Cost	2240	2230	0	2260	-1
Power & Fuel	7730	6660	16	7170	8
Frieght & Forwarding	7440	7480	-1	7280	2
Other Expense	5790	5210	11	5450	6
Total Expenditure	29040	26700	9	27210	7
EBITDA	6020	5110	18	6960	-14
EBITDA Margins (%)	17.2	16.1	111bps	20.4	-320bps
Depreciation	3400	3640	-7	3220	6
EBIT	2620	1470	78	3740	-30
Other Income	620	370	68	660	-6
Interest	1180	1010	17	1220	-33
PBT	2060	830	148	3180	-35
Shares of profits	-320	0		0	-
PBT	1740	830	110	3180	-45
Tax	460	170	171	790	-42
PAT	1280	660	94	2390	-46
PAT Margin (%)	3.7	2.1	158bps	7.0	-334bps
EPS	7	3	94	13	-46

Particulars	Q3FY26	Q3FY25	Y-o-Y %	Q2FY26	Q-o-Q %
Sales Volume (MT)	7.34	6.70	9.50	6.90	6.33
Blended Realization (Rs)	4779	4748	1	4952	-4
EBITDA/Ton (Rs)	821	763	8	1009	-19
Total Cost/Ton (Rs)	3958	3985	-1	3943	0
Fuel Cost/Ton (Rs)	1054	994	6	1039	1
Frieght & Forwarding/Ton (Rs)	1014	1116	-9	1055	-4

Source: Arianth Research, Company Filings



Profit & Loss Statement (Consolidated)					
Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Net sales	1,46,910	1,39,800	1,46,434	1,71,964	1,95,449
Growth%	8	(5)	5	17	14
Expenditure					
Cost of materials	21,200	22,410	22,990	25,795	29,317
Purchase of stock in trade	5,670	1,060	2,197	2,579	2,932
(Increase) / Decrease In Stocks	160	(190)	159	187	213
Total raw materials	27,030	23,280	25,346	28,561	32,462
Employee cost	8710	8850	9518	11178	12704
Fuel cost	31160	29030	30019	35253	39676
Friight & Forwarding	32030	32860	31483	36800	41631
Other expenses	21590	21710	22404	24763	27949
Total expenditure	1,20,520	1,15,730	1,18,771	1,36,555	1,54,422
EBITDA	26,390	24,070	27,663	35,409	41,027
EBITDAM (%)	18%	17%	19%	21%	21%
Depreciation	14,980	13,310	14,643	17,196	19,545
PBIT	11,410	10,760	13,020	18,213	21,482
Other income	3,150	2,530	2,197	2,579	2,932
Interest expenses	3,860	3,990	6,320	8,077	10,062
PBT	10,700	9,300	8,896	12,715	14,352
Tax	2,160	1,180	1,868	2,670	3,014
Reported PAT	8,540	8,120	7,028	10,045	11,338
Exceptional Income / Expenses	0	-1130	0	0	0
PAT (after Exceptional)	8,540	6,990	7,028	10,045	11,338
PAT Margin %	6%	5%	5%	6%	6%
EPS	44.9	36.8	37.0	52.9	59.7

Source: Arihant Research, Company Filings

Balance Sheet (Consolidated)					
Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Source funds					
Share Capital	380	380	380	380	380
Reserves & Surplus	1,63,590	1,73,360	1,78,469	1,86,405	1,95,444
Net worth	1,63,970	1,73,740	1,78,849	1,86,785	1,95,824
Minority Interest	1,100	1,260	1,100	1,100	1,100
Long term borrowings	44,310	46,050	54,181	65,346	76,225
Short term borrowing	1,990	6,530	6,590	8,082	9,772
Total Debt	46,300	52,580	60,770	73,429	85,998
Deferred tax liabilities	20,380	21,900	19,036	22,355	25,408
Long term provision	2,640	3,130	2,343	2,751	3,127
Other long term liabilities	2,780	5,490	2,636	3,095	3,518
Total	25,800	30,520	24,015	28,202	32,054
Current Liabilities					
Trade payables	13,160	15,390	16,120	18,931	21,516
Short term provisions	810	1,150	807	948	1,078
Other current liabilities	26,350	27,620	23,429	27,514	31,272
Total	40,320	44,160	40,357	47,393	53,866
Total liabilities	2,77,490	3,02,260	3,05,092	3,36,909	3,68,841
Application of Funds					
Net Block	1,50,440	1,64,780	1,76,126	1,76,126	1,76,126
Current work in process	22,840	24,970	24,970	24,970	24,970
Goodwill	5,270	3,740	3,740	3,740	3,740
Non current investment	5,900	6,750	6,590	7,738	8,795
Tax assets	1,400	1,500	1,571	1,845	2,097
Long term loans and advances	130	140	147	172	196
Other non-current assets	10,240	11,510	12,056	14,158	16,092
Total	1,96,220	2,13,390	2,25,199	2,28,749	2,32,015
Current Assets					
Current investments	38,720	44,440	30,751	36,112	41,044
Inventories	12,180	13,860	14,518	17,049	19,377
Trade receivables	8,360	8,890	8,024	9,894	11,781
Cash balance	3,410	7,310	8,825	31,279	43,018
Bank balance	2,410	-	90	-	90
Short term loans and advances	90	120	90	105	120
Other current assets	13,120	14,100	11,715	13,757	15,636
Assets or disposal group	260	150	150	110	30
Total	78,550	88,870	74,162	1,08,307	1,31,096
Total assets	2,74,770	3,02,260	2,99,362	3,37,056	3,63,111

Source: Arihant Research, Company Filings

Cash Flow Statement (consolidated)					
Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	10,700	9,300	8,896	12,715	14,352
Add: Depreciation	14,980	13,310	14,643	17,196	19,545
Add: Interest cost	3,860	3,990	6,320	8,077	10,062
Less: Other Income	(1,750)	(1,090)	(549)	(645)	(733)
Less: Dividend Income	(340)	(490)	(176)	(206)	(235)
Others	(1,020)	(840)	-	10	20
Operating profit before working capital changes	26,430	24,180	29,135	37,147	43,011
Changes in working capital	460	(2,300)	(8,308)	2,362	2,007
Cash from Operations	26,890	21,880	20,827	39,510	45,018
Less: Taxes	(540)	(710)	(1,868)	(2,670)	(3,014)
Cash flow from Operations	26,350	21,170	18,959	36,840	42,004
Net cash used in Investing					
Fixed assets	(28,270)	(26,640)	(25,989)	(17,196)	(19,545)
Purchase of investments	1,340	610	13,849	(6,510)	(5,989)
Other & Dividend Income	1,340	1,360	725	851	967
Others	(1,910)	1,970	-	10	20
Cash flow from investing	(27,500)	(22,700)	(11,415)	(22,845)	(24,546)
Cash flow from Financing					
Proceeds from Equity shares	30	-	-	-	-
Sales of Borrowings	8,890	6,480	8,190	12,668	12,589
Dividend (Incl dividend tax)	(1,690)	(1,690)	(1,919)	(2,109)	(2,299)
Others	(490)	(540)	(160)	-	-
Cash flow from Financing	2,220	(390)	(209)	2,482	228
Net cash inflow/Outflow	1,070	(1,920)	7,335	16,477	17,686
Opening cash	2,340	3,410	1,490	8,825	25,312
Closing cash	3,410	1,490	8,825	25,302	42,998

Source: Arian Research, Company Filings

Ratio Analysis					
Particulars	FY24	FY25	FY26E	FY27E	FY28E
Per share Data					
EPS (Rs)	44.9	36.8	37.0	52.9	59.7
Book value per share (Rs)	863.0	914.4	941.3	983.1	1030.7
Dividend per share (Rs)	8.9	10.1	10.1	11.1	12.1
Dividend Yield (%)	0.5	0.5	0.5	0.6	0.6
Dividend Payout (%)	19.8	27.5	27.3	21.0	20.3
Profitability Ratios					
EBITDAM(%)	18.0	17.2	18.9	20.6	21.0
PBTM (%)	7.3	6.7	6.1	7.4	7.3
NPM (%)	5.8	5.0	4.8	5.8	5.8
RoE (%)	5.2	4.0	3.9	5.4	5.8
RoCE (%)	5.4	4.8	5.4	7.0	7.6
Efficiency Data					
Debt-Equity (x)	0.3	0.3	0.3	0.4	0.4
Debt/EBITDA (x)	1.8	2.2	2.2	2.1	2.1
Interest Cover (x)	3.0	2.7	2.1	2.3	2.1
Fixed Asset (x)	1.0	1.2	1.2	1.0	0.9
Debtors (Days)	20.8	23.2	20.0	21.0	22.0
Inventory (Days)	30.3	36.2	36.2	36.2	36.2
Payable (Days)	32.7	40.2	40.2	40.2	40.2
WC (Days)	18.3	19.2	16.0	17.0	18.0
Valuation					
P/E (x)	42.7	52.1	51.9	36.3	32.1
P/BV	2.2	2.1	2.0	2.0	1.9
EV/EBITDA	15.3	17.0	15.0	11.5	9.9
EV/Sales	2.8	2.9	2.8	2.4	2.1

Source: Arian Research, Company Filings

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return

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