

# Shubh Nivesh



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**Scaling up ambitiously with focus on profitability...**

**About the stock:** Dalmia Bharat (DBL) is the fourth largest cement manufacturer in India with cement capacity of 49.5 mtpa and clinker capacity of 23.5 mtpa as of FY25 end

- The company has 15 manufacturing plants which cater to 22 states across India. Out of total capacity of 49.5 mtpa, ~44% is located in south region followed by ~50% in east & north-east. Balance ~6% is in west region

**Investment Rationale**

- Focus on profitable growth with strategic capacity additions:** Though sales volume declined 5.4% YoY in Q1FY26, the adjusted volume growth was flat YoY (tolling arrangement with Jaypee discontinued from Q2FY25) as the company remained focused on profitability. Management states that the focus will remain on profitable growth going forward and quality of sales through product mix and direct distribution. On the capacity addition front, the ongoing expansion at Belgaum (3 mtpa) and Pune (3 mtpa) are on track and expected by FY27E end. Further, with a strong focus on increasing exposure in existing southern region markets, company has planned 6 mtpa expansion at Kadapa (AP), which will be commissioned in FY28E. This will take the total capacity to 61.5 mtpa by FY28E (from 49.5 mtpa at present). Clinker capacity will also be expanded to 34.3 mtpa by FY28E (from 23.5 mtpa at present). Though we estimate ~6% volume CAGR over FY25-27E, we believe that longer-term visibility on volume growth remains strong. With a target of reaching 75 mtpa by FY28E & 110-130 mtpa by FY31E, company has already started exploring further expansion opportunities at Rajasthan & North-East
- EBITDA per ton to improve further going forward:** We expect company's EBITDA/ton to improve considerably to ₹ 1229/ton by FY27E (vs ₹ 819/ton in FY25), driven by operational efficiency measures & positive operating leverage (led by strong volume growth). The operational efficiency measures include increasing usage of cost-efficient non-fossil fuels (from alternate sources) & increase in share of renewable power consumption (target of 100% by FY30E from ~41% as of Q1FY26), cost optimisation in raw materials & logistics, focus on further increasing share of premium products and improving blending ratio
- Net debt/EBITDA to remain in comfort range:** Even with a strong capex plan (capital outlay of ~₹ 8000 crores over FY26E-FY27E), company's balance sheet position to remain strong, led by strong earnings growth over the same period. Net debt/EBITDA stands at 0.33x as of June-25 end. With a strong focus on capital allocation, company remains confident of staying below its threshold level of 2x net debt/EBITDA despite having ambitious plans to scale capacity by over 2x from current level (including organic & inorganic)

**Rating and Target Price**

- We estimate Revenue, EBITDA and PAT to grow at ~10%, ~30% and ~50% CAGR respectively over FY25-27E
- Valuations at 11.1x EV/EBITDA on FY27E basis look attractive considering the strong growth ahead. We recommend **BUY** on DBL with a target price of ₹ 2,650 (based on 13x EV/EBITDA on FY27E)

**Key Financial Summary**

(Rs crore)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Revenues	11,286	13,540	14,691	13,980	7.4%	15,339	16,897	9.9%
EBITDA	2,426	2,316	2,639	2,407	-0.3%	3,259	4,060	29.9%
EBITDA margin (%)	21.5	17.1	18.0	17.2		21.2	24.0	
Adjusted PAT	816	1,035	827	683	-5.8%	1,228	1,538	50.0%
Adjusted EPS (Rs)	43.5	55.2	44.1	36.4		65.5	82.0	
P/E (x)	51.2	40.6	50.6	53.7		34.1	27.2	
EV/EBITDA (x)	16.7	18.4	16.0	17.7		13.5	11.1	
EV/ton (\$)	136	125	111	101		105	95	
RoCE (%)	7.0	5.9	6.9	5.8		8.0	9.2	
RoE (%)	5.1	6.6	5.0	4.5		6.7	7.8	

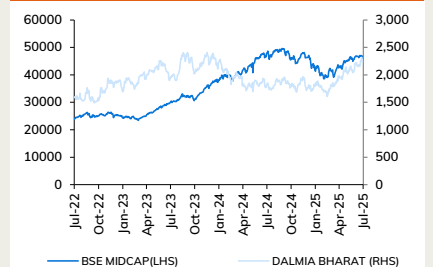
Source: Company, ICICI Direct Research

**Particulars**

Particular	Amount
Market Capitalisation (Rs Crore)	41,823
FY25 Gross Debt (Rs Crore)	5,412
FY25 Cash (Rs Crore)	4,602
EV (Rs Crore)	42,633
52 Week H/L (Rs)	2350 / 1601
Equity Capital	38.0
Face Value	2.0

**Shareholding pattern**

	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	55.8	55.8	55.8	55.8
FII	8.9	9.1	8.3	8.2
DII	14.6	14.7	16.4	17.4
Others	20.7	20.4	19.4	18.6

**Price Chart****Recent Event & Key risks**

(1) Slowdown in demand (2) Delays in capacity expansion (3) Increase in commodity prices (4) High competition

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Buy: >15%

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Sell: <-15%



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