Dalmia Bharat Ltd

Cost efficiencies, pricing improvements to drive growth

Cement	Sharekhan code: DALMIABHA
Reco/View: Buy ↔	CMP: Rs. 2,269 / Price Target: Rs. 2,550 ↑

↑ Upgrade ↔ Maintain ↓ Downgrade

Summary

- We retain a Buy rating with a revised PT of Rs. 2,550, valuing it at 13x FY27 EV/EBITDA. Stock trades at 13.2x/11.6x its FY26/27 EV/EBITDA.
- Q1FY26 consolidated revenues stood flat y-o-y at Rs. 3,636 crore, as volumes fell 5.8% y-o-y to 7 MT. However, realisation/tonne improved 6.6% y-o-y to Rs. 5,194, driving EBITDA/tonne to Rs. 1,261, up 40% y-o-y.
- Company announced a Rs. 3,287 crore investment to set up a 3.6 MTPA clinker unit and a 6 MTPA grinding unit at its existing Kadapa plant in Andhra Pradesh, with commissioning targeted in Q2FY28.
- Management continues to focus on balancing profitability and volume growth. Cost-reduction roadmap of Rs. 150–200/tonne remains intact, supported by increased use of renewable energy and logistics optimization.

Consolidated revenue stood at Rs. 3,636 crore, flat y-o-y primarily due to a 5.8% y-o-y decline in volumes to 7 million tonnes. However, realisation/tonne improved by 6.6% y-o-y to Rs. 5,194, driven by favourable market pricing, which led to a 40.1% y-o-y increase in EBITDA/tonne to Rs. 1,261. The company witnessed healthy price improvements across key operating regions, particularly in the Southern Indian markets. Management remains optimistic about price stability and aspires to position Dalmia as the top-priced brand in every state. Dalmia is committed to reducing costs by Rs. 150–200 per tonne in the next two years through strategic initiatives such as increased use of renewable energy and logistics optimisation. On the capex front, the company incurred Rs. 612 crore during Q1FY26 and plans to spend around Rs. 4,000 crore in FY26. Capacity expansion remains on track with ongoing projects in Belgaum, Kadapa, and the North East. Post completion, total capacity is expected to reach ~64 MTPA, aligned with the FY28 target of 75 MTPA.

Key positives

- Share of trade sales rose to 68% from 64% y-o-y, reflecting a stronger retail presence. Direct dispatches improved to 62% (vs. previous average of 55%), indicating better logistics and potential cost savings.

Key negatives

- Overall volumes declined by 6% y-o-y in Q1FY26. Sales from Dalmia's own plants (excluding tolling volumes from JP plants) remained flat.

Management Commentary

- Cement industry to witness healthy demand growth of 6–7% in FY26, supported by sustained government infrastructure spending and housing sector growth. Increased industry consolidation is anticipated, with the top four players accounting for nearly 70% of the upcoming capacity additions over the next two years.
- **Ongoing Projects:**
  - **Belgaum & Pune:** Announced in February 2025, the company is adding a 3.6 MTPA clinker and 3 MTPA grinding capacity in Belgaum, targeting North Karnataka and Southern Maharashtra, along with a 3 MTPA grinding unit in Pune to cater to Western Maharashtra.
  - **Kadapa & Chennai:** Dalmia is investing Rs. 3,287 crore to establish a 3.6 MTPA clinker and 6 MTPA grinding unit at Kadapa, along with a 3 MTPA bulk terminal in Chennai, strengthening its presence in Southern India.
  - **Northeast grinding capacity:** In the Northeast, the 3.6 MTPA clinker plant in Assam is set for trial runs by September 2025, with commercial production expected in Q3FY26. The company also plans to add 2–2.5 MTPA grinding capacity in the region over the next 12–18 months.

Our Call

Valuation – Retain BUY with a revised PT of Rs. 2,550: Dalmia is one of India's low-cost cement producers. The company will get the benefit of its cost reduction initiatives and it has guided for EBITDA/tonne to increase by Rs. 150-200/tonne in the next two years. The pricing environment has also improved and the company aims to balance its volume growth and profitability. Dalmia is currently trading at an EV/EBITDA of 13.2x/11.6x its FY2026E/FY2027E earnings. We retain our Buy rating on the stock with a revised price target (PT) of Rs. 2,550, giving it a 13x multiple on its FY27 EV/EBITDA.

Key Risks

1) Pressure on cement demand and prices in the East, Northeast, and South India can affect financial performance.

2) Macroeconomic challenges leading to lower government spending on infrastructure and housing sectors can also affect the company's performance.

Valuation (Consolidated) Rs cr

Particulars	FY24	FY25	FY26E	FY27E
Revenue	14,691.0	13,980.0	15,541.7	17,558.2
OPM (%)	18.0	17.2	21.5	21.9
Adjusted PAT	826.0	683.0	1,180.6	1,356.0
y-o-y growth (%)	NA	-17.3	72.9	14.9
Adjusted EPS (Rs.)	43.5	35.9	62.1	71.4
P/E (x)	52.2	63.1	36.5	31.8
P/B (x)	2.6	2.5	2.4	2.2
EV/EBITDA (x)	16.2	17.9	13.2	11.6
RoNW (%)	5.2	4.0	6.6	7.2
RoCE (%)	6.4	5.7	6.7	7.0

Source: Company; Mirae Asset Sharekhan estimates

3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)		✓	

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

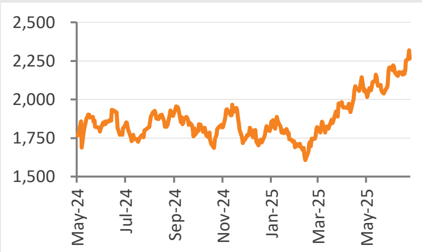
Company details

Market cap:	Rs. 42,546 cr
52-week high/low:	Rs. 2,342 / 1,602
NSE volume: (No of shares)	3.5 lakh
BSE code:	542216
NSE code:	DALMIABHA
Free float: (No of shares)	8.3 cr

Shareholding (%)

Promoters	55.8
FII	8.2
DII	17.4
Others	18.6

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	9.4	19.9	27.9	27.4
Relative to Sensex	8.4	16.7	18.8	24.5

Source: Mirae Asset Sharekhan Research, Bloomberg

Results (Consolidated) **Rs cr**

Particulars	Q1FY26	Q1FY25	Y-o-Y (%)	Q4FY25	Q-o-Q (%)
Net Sales	**3636**	**3621**	**0.4**	**4091**	**-11.1**
Total Expenditure	2753	2952	-6.7	3298	-16.5
Operating profits	**883**	**669**	**32.0**	**793**	**11.3**
Other Income	49	50	-2.0	93	-47.3
EBITDA	932	719	29.6	886	5.2
Interest	108	95	13.7	105	2.9
PBDT	824	624	32.1	781	5.5
Depreciation	322	317	1.6	314	2.5
PBT	**502**	**307**	**63.5**	**467**	**7.5**
Tax	123	49	151.0	28	339.3
Extraordinary items	-16	84	NA	0	NA
Minority Interest	2	4	-50.0	4	-50
Reported Profit After Tax	393	141	178.7	435	-9.7
Adjusted PAT	**377**	**225**	**67.6**	**435**	**-13.3**
EPS (Rs.)	20	12	67.6	23	-13.3
			bps		**bps**
OPM (%)	24.3	18.5	581	19.4	490
PAT margin (%)	10.4	6.2	415	10.6	-26
Tax rate (%)	24.5	16.0	854	6.0	1851

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector View – Improving pricing and demand brightens outlook

The Indian cement has witnessed a lot of consolidation in the last few years with a slew of inorganic acquisitions happening. The consolidation and the weak demand have put a pressure on the pricing environment. But with the return of government capex, the demand and pricing are improving. The margins of the whole sector are expected to increase from here-on and will result in increase in profitability.

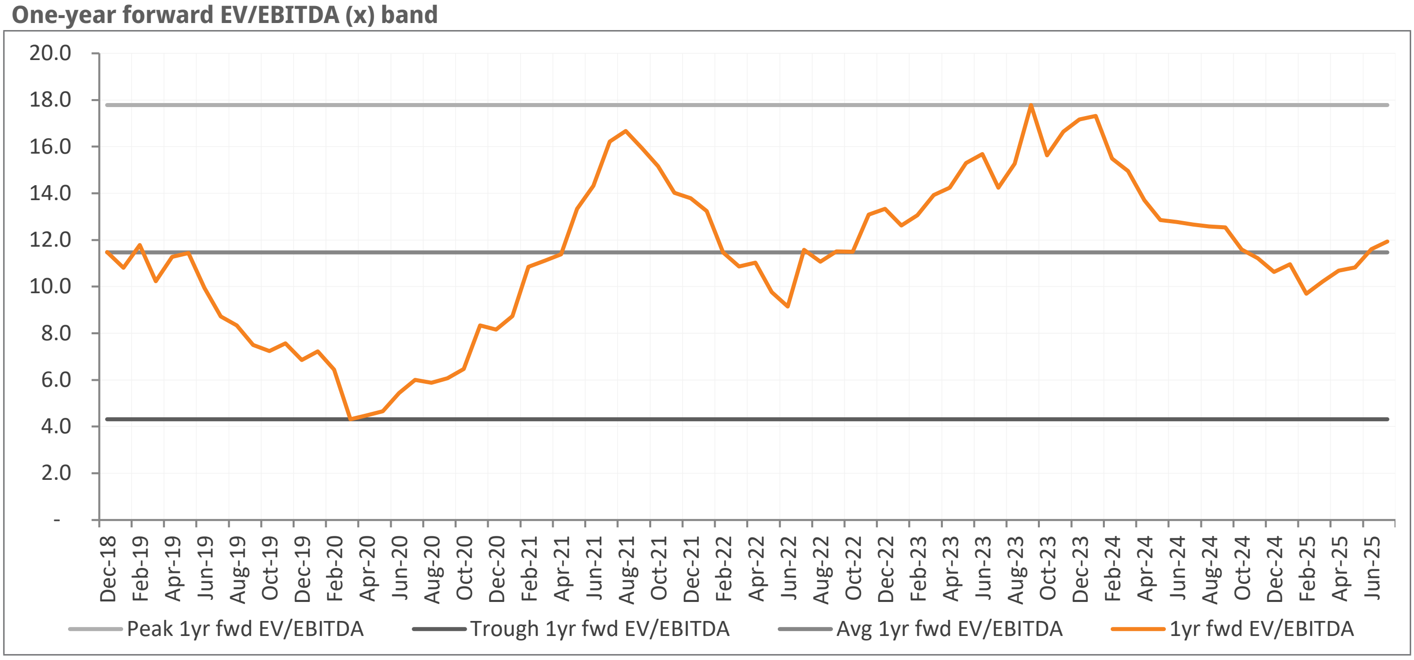
■ Company Outlook – Cost efficiencies and expansion plans to drive growth

Dalmia Bharat, among the lowest-cost cement producers in the country, aims to reduce costs further by Rs. 150–200/tonne over the next two years. It plans to expand cement capacity from 49.5 MTPA to 75 MTPA by FY2028, with a long-term target of 100+ MTPA by 2031 through a mix of organic and inorganic growth. The company remains committed to maintaining net debt/EBITDA below 2x, while progressing toward its goal of becoming a leading pan-India play.

■ Valuation – Retain BUY with a revised PT of Rs. 2,550

Dalmia is one of India's low-cost cement producers. The company will get the benefit of its cost reduction initiatives and it has guided for EBITDA/tonne to increase by Rs. 150-200/tonne in the next two years. The pricing environment has also improved and the company aims to balance its volume growth and profitability. Dalmia is currently trading at an EV/EBITDA of 13.2x/11.6x its FY2026E/FY2027E earnings. We retain our Buy rating on the stock with a revised price target (PT) of Rs. 2,550, giving it a 13x multiple on its FY27 EV/EBITDA.

One-year forward EV/EBITDA (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

Founded in 1939, Dalmia Bharat Limited (BSE/NSE Symbol: DALBHARAT) is one of India's pioneering cement companies headquartered in New Delhi. With a growing capacity, currently pegged at 49.5 mt, Dalmia Bharat Limited (including its subsidiaries) is the fourth-largest cement manufacturing company in India by installed capacity. Spread across 10 states and 15 manufacturing units, Dalmia Cement (Bharat) Limited, a subsidiary of Dalmia Bharat Limited, prides itself at having one of the lowest carbon footprints in the cement world globally. It is the first cement company to commit to RE100, EP100 & EV100 (first triple joiner) – showing real business leadership in the clean energy transition by taking a joined-up approach.

Investment theme

Dalmia Bharat, one of the lowest-cost cement producers in the country, aims to further reduce costs by Rs. 150–200/tonne over the next two years. It plans to expand capacity from 49.5 MTPA to 75 MTPA by FY2028, with a long-term target of 100+ MTPA by 2031 through a mix of organic and inorganic growth. Backed by a disciplined capital allocation strategy and a strong balance sheet (Net Debt/EBITDA <2x), the company is well-positioned to become a leading pan-India cement player.

Key Risks

- Pressure on cement demand and cement prices in the east, northeast, and west can affect the company's financial performance.
- Macroeconomic challenges leading to lower government spending on infrastructure and housing sectors can negatively affect the company's performance.

Additional Data

Key management personnel

Name	Designation
Puneet Dalmia	CEO and MD
Dharmender Tuteja	CFO
Rajeev Kumar	Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp of India	5.09
2	SBI Funds Management Ltd	2.89
3	Mirae Asset Financial Group	2.14
4	Nippon Life India Asset Management	1.94
5	DHARTI COMMERCIAL TRADING PVT LT	1.68
6	INVESTOR EDUCATION & PROTECTN FD	1.66
7	Vanguard Group Inc/The	1.65
8	BLUE DAIMOND PROPERTIES PVT LTD	1.22
9	UTI Asset Management Co Ltd	0.95
10	FIL Ltd	0.94

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

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Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: complianceofficer@sharekhan.com

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