



Pick of the week

Dalmia Bharat

Recommendation: **ADD**

Current Price: **₹1,847**

Potential Upside: **21.8%**

Dated: **3rd Jan 2022**

Time Period: **12 Month**

Target Price: **₹2,250**

Why invest?

- We expect Dalmia Bharat's volumes to grow at the rate of 15% over FY21E-24E.
- The ongoing expansion projects are progressing towards increasing total capacity. The company aims to increase capacity by 15% CAGR in the current decade and is likely to share more details in the next 3-4 quarters.
- Dalmia Bharat turned net cash in Q2FY22 on strong operational cash flows and limited capex. We expect leverage to remain stable despite increase in capex.
- Divestment of non-core investments and focus on organic growth will help address investor concerns on capital allocation.
- The company provides strong growth visibility with balance sheet strength and improving capital allocation.
- Our Fair Value of Rs2,250/share is based on 9x EV/EBITDA December 2023E. (EV/EBITDA - Enterprise Value / Earnings Before Interest, Taxes, Depreciation, and Amortization)