

# Pick of the week



## Dalmia Bharat

### Recommendation

**Buy**

### Time Period

**12 Months**

### Current Price

**₹ 769**

### Target Price

**₹ 1075**

### Potential Upside

**39.8%**

## Investment Argument

- Dalmia is progressing as per plan to reach 370 lakh tonnes per annum capacity and become the third largest in India by FY22E. Dalmia has completed the acquisition of Murli Industries having an integrated 30 lakh tonnes per annum cement capacity. Dalmia's 78 lakh tonnes per annum organic expansions would complete in FY22E.
- With access to 20 states, the company is gradually elevating from the stature of a regional player. Dalmia continues to consolidate its position in the East and is increasing its presence in the West.
- Dalmia would be spending Rs2500 cr in FY21-22E towards expansion. Strong operating cash flows would still drive strong free cash flow and reduce net debt in FY22E. In absence of new projects, it would become debt-free (net debt level) in FY23E.
- As on September 11, 2020, the company has bought back 61.6 lakh equity shares for an aggregate amount of Rs328 cr out of approved amount of Rs500 cr.
- The company is well-poised for a re-rating given growth visibility, improving balance sheet and attractive valuation. IEX divestment and/or resolution of mutual fund case has strong re-rating potential. Our Fair Value of Rs1,075/share is based on 8X EV/EBITDA June 2022E financials.