

# Restoration of stolen MF units is an additional tailwind for Dalmia Bharat

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Anyone would heave a sigh of relief when something that's stolen from them is restored. The Supreme Court verdict allowing Dalmia Bharat Ltd access to its stolen mutual fund units has resulted in a huge sigh of relief on the Street. The case has also cast aspersions related to corporate governance norms at the company in some quarters, and the court's verdict is therefore being welcomed with open arms.

While units worth ₹380 crore were stuck in the case, the company's market capitalization rose by nearly ₹750 crore. In February 2019, the company had claimed that certain mutual fund units were fraudulently transferred by its broker Allied Financial Services to its own account. These units were used by

Allied Financial Services and its directors as margin with IL&FS Securities Services for futures and options trades.

While the value of the mutual fund units is small in comparison to the company's market cap of around ₹30,000 crore, against the backdrop of the company's ongoing deleveraging and timely capacity additions, this development is an additional positive.

"As we ascribe full value to the recovered mutual fund units, our cash balance estimates are increased by a similar amount. We continue to like the company for its continued strong volume and margin performance. Despite major ongoing expansion, Dalmia Bharat's balance sheet

remains well under control. Given these tailwinds (including a clean chit on the mutual fund unit case), we increase our EV/Ebitda valuation multiple to 12 times (from 10.5 times earlier, and in-line with our valuation for its closest peer – Ramco Cements," analysts at HDFC Securities Ltd said in a report on 17 March. EV stands for enterprise value. Ebitda is short for earnings before interest, taxes, depreciation and amortization.

In the next 12-24

months, Dalmia Bharat plans to increase its capacity from 28.5mtpa currently to 38mtpa. Mtpa is short for million tonnes per annum. In the next five years, it aims to reach 55-60mtpa capacity. These expansions, which are largely organic and funded through internal accruals, will give the company entry into lucrative new markets of north and central India.

In the first nine months of this fiscal, the company has repaid debt worth ₹1,380 crore. Its gross debt stands at ₹4,590 crore and net debt at ₹1,400 crore.

Meanwhile, foreign brokerage house CLSA has upgraded the stock's rating to 'buy' and raised its target price to ₹1,900 per share from ₹1,650 earlier. CLSA said Dalmia Bharat has presence in strong growth regions and at current valuations, it is well placed in this upcycle.

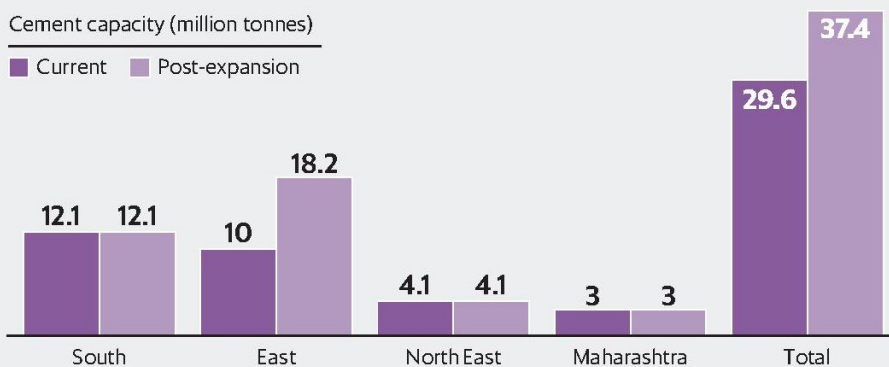
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## Expansion spree

Dalmia Bharat's total capacity is expected to increase by around 27% by FY23, aided by expansions.

Cement capacity (million tonnes)

■ Current ■ Post-expansion



Source: Prabhudas Lilladher Pvt. Ltd

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