

# Dalmia Bharat

## Volume firms up but weak pricing drags margin

We maintain BUY on Dalmia Bharat with an unchanged TP of INR 2,470/sh (12x its Mar-28E consolidated EBITDA). In Q3FY26, Dalmia's volume firmed up 10% YoY, ahead of industry growth. However, adjusted margin fell to INR 790/MT (down INR 222/MT QoQ) on weak pricing. Slight moderation in fuel cost, high 48% green power share and lower lead distance cushioned the impact. Dalmia commissioned the 3.6mnMT clinker unit in Assam in Jan-26 and guided that its other 12mn MT expansions in the south and Maharashtra (by H1Y28E) are on track. It also reiterated that it will add another ~12~13mn MT by FY28E-end. We expect these additional capacities to be pushed beyond FY28E.

- Q3FY26 performance:** Dalmia's sales volume rose 10% YoY, ahead of the industry. The share of trade sales stood at 62% vs 62/66% QoQ/YoY. While reported NSR fell 3.6% QoQ, adjusted for prior period incentives (INR 61/MT), it fell 5% QoQ, on weak pricing and volume push. Unit opex stood flattish. Fuel cost declined to 1.36/mnCal vs 1.38/1.31 QoQ/YoY. Green power share stood at 48% vs 48/33% QoQ/YoY. Lead distance stood at 277km vs 287/267km QoQ/YoY. Subsequently, it reported unit EBITDA fell INR 191/MT QoQ to INR 822/MT. Adjusted for prior period incentives of INR 61/MT and one-off higher marketing expenses of INR 30/MT, unit EBITDA stood at INR 790/MT.
- Con call KTAs and outlook:** Dalmia mentioned cement prices have improved slightly in Jan. Incentive accrual run rate has come off to ~INR 60/MT Q3FY26 onwards and it will continue in FY27E. Dalmia lowered its FY26E capex guidance to INR 27-30bn vs earlier guidance of INR 40bn (mainly due to extended credit from equipment suppliers). The 3.6mn MT clinker expansion in Assam got operational in Jan-26. Dalmia reiterated its 12mn MT expansions across south and Maharashtra by H1FY28 is on track. It also plans to fast track its greenfield Jaisalmer project and would also look to add cement capacities in Bihar and north-east to achieve 75mn MT target by FY28E. However, we build in execution of these expansions beyond FY28E. We maintain our earnings estimates, whereby we have built in consolidated volume CAGR of 7/20% for FY25-28E. We have also factored in capex run-rate to increase to INR 43bn during FY27-28E vs ~INR 28bn in the preceding four years.

### Quarterly/annual financial summary (consolidated)

YE Mar (INR bn)	Q3 FY26	Q3 FY25	YoY (%)	Q2 FY26	QoQ (%)	FY24	FY25	FY26E	FY27E	FY28E
Sales (mn MT)	7.3	6.7	9.5	6.9	6.4	28.8	29.4	29.6	32.0	35.9
NSR (INR/MT)	4,794	4,763	0.7	4,973	(3.6)	5,103	4,763	4,954	5,053	5,154
EBITDA(INR/MT)	822	765	7.4	1,013	(18.9)	917	820	1,031	1,086	1,171
Net Sales	35.06	31.81	10.2	34.17	2.6	146.91	139.80	146.85	161.77	184.80
EBITDA	6.01	5.11	17.6	6.96	(13.6)	26.39	24.07	30.56	34.77	41.99
APAT	1.45	0.59	105.3	2.36	(48.7)	7.71	6.96	11.54	13.57	16.18
AEPS (INR)	7.7	3.1	145.9	12.6	(38.5)	40.6	36.6	60.7	71.4	85.1
EV/EBITDA (x)						13.4	15.1	14.3	12.6	11.1
EV/MT (INR bn)						7.91	7.36	8.87	8.83	7.58
P/E (x)						44.4	49.2	36.7	31.2	26.2
RoE (%)						4.8	4.1	6.4	7.1	8.0

Source: Company, HSIE Research

**BUY**

CMP (as on 21 Jan 2026) INR 2,232

Target Price INR 2,470

NIFTY 25,158

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,470	INR 2,470
EBITDA revision %	FY26E	FY27E
	-	-

### KEY STOCK DATA

Bloomberg code	DALBHARA IN
No. of Shares (mn)	188
MCap (INR bn) / (\$ mn)	419/4,566
6m avg traded value (INR mn)	813
52 Week high / low	INR 2,496/1,601

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	2.2	(1.3)	26.0
Relative (%)	5.1	(1.0)	18.0

### SHAREHOLDING PATTERN (%)

	Sep-25	Dec-25
Promoters	55.84	55.84
FIs & Local MFs	17.81	18.99
FPIs	8.76	7.92
Public & Others	17.59	17.25

Pledged Shares - -

Source : BSE

Pledged shares as % of total shares

**Rajesh Ravi**  
 rajesh.ravi@hdfcsec.com  
 +91-22-6171-7352

**Keshav Lahoti**  
 keshav.lahoti@hdfcsec.com  
 +91-22-6171-7353

**Riddhi Shah**  
 riddhi.shah@hdfcsec.com  
 +91-22-6171-7359

**Mahesh Nagda**  
 mahesh.nagda@hdfcsec.com  
 +91-22-6171-7319

# Gujarat Gas

## Industrial volume declines; margin expands

We maintain ADD recommendation on Gujarat Gas (GGL) with a revised price target of INR 483/sh as we believe (i) GGL can retain its EBITDA margin despite pricing competition from alternative fuel in the industrial/commercial segment and (ii) its CNG segment will observe healthy volume growth in the medium term. Q3FY26 EBITDA/adj. PAT at INR 4.4/2.6bn came in below our estimates, owing to lower-than-expected industrial volume.

- **Volumes:** Blended volume was at 8.38mmscmd (-11.5% YoY, -3.2% QoQ), below our estimates. CNG volume came in at 3.45mmscmd (+10.6% YoY, +3.9% QoQ) and domestic volume stood at 0.83mmscmd (+12.2% YoY, flat QoQ). Industrial volume came in at 3.93mmscmd (-28.0% YoY, -9.7% QoQ). Commercial volume stood at 0.17mmscmd (+13.3%YoY, +6.3% QoQ). We cut volume estimate to 8.6/9.2mmscmd from 8.8/9.4mmscmd for FY26/27E.
- **Margin:** Realization came in at INR47.5/scm (-0.4% YoY, flat QoQ) and gas cost decreased to INR37.2/scm (-5.5% YoY, -0.7% QoQ), resulting in gross spread increasing to INR10.3/scm (+23.6% YoY, +2.8% QoQ). Opex was higher sequentially to INR4.5/scm (+13.3% YoY, +2.1% QoQ). EBITDA increased to INR5.8/scm (+32.9% YoY, +3.4% QoQ). We reduce GGL's FY26 per unit EBITDA estimate to INR 6.0 per scm from INR 6.2 per scm and increase FY27 estimate from INR 7.5 per scm to 7.6 per scm.
- **Conference call takeaways:** (1) **PNG** – Morbi/non Morbi industrial volumes stood at 1.68/2.25mmscmd (-21.1% QoQ, +1.4% QoQ). Demand for natural gas in Morbi's industrial region was impacted by cheaper propane prices (down 25% in Q3) compared to spot natural gas price (declined by 19%). To reduce the price premium of natural gas over that of propane, the company reduced prices of industrial PNG in Morbi by INR 4.5 per scm w.e.f. 1 January 2026. This marks the third price cut in the last three quarters. Post this price reduction, natural gas price premium now stands at INR 2.4 per scm over propane prices. Volume in Morbi has now inched up to 2.2mmscmd. Management expects Morbi volumes to touch 3mmscmd by the end of March 2026. (2) **CNG** – Gujarat/non-Gujarat CNG volumes increased by 9/22% YoY respectively. The total count of CNG stations currently stands at 833. This is expected to reach 1,000 in the next 2-3 years. The company is confident of maintaining this strong growth for FY27E on the back of new station additions and higher CNG vehicle adoption. (3) **Gas sourcing** – 2.01/0.34/3.27/2.77mmscmd was APM/NWG/long term/short term. (4) **Guidance** - The company has increased EBITDA margin guidance range for FY26 to INR 5.5-6.5 per scm (including other income) from INR 4.5-5.5 per scm and reduced capex guidance for FY26E to INR 7bn, from INR 8bn.
- **Change in estimates:** We have reduced our EPS estimates for FY26/27 by 9/6% to INR16.8/23.9/sh, factoring in lower industrial volume. Our target price of INR480/sh is based on Mar-27 FCF (WACC 11%, terminal growth rate 3%).

### Standalone financial summary

YE March (INR bn)	3Q FY26	2Q FY26	QoQ (%)	3Q FY25	YoY (%)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	37	38	(3.2)	42	(11.9)	157	165	150	169	184
EBITDA	4	4	0.0	4	17.6	19	19	19	25	31
APAT	3	3	(5.5)	2	19.8	11	11	12	16	21
AEPS (INR)	3.9	4.1	(5.5)	3.2	19.8	16.0	16.6	16.8	24.0	29.9
P/E (x)	37	38	(3.2)	42	(11.9)	25.1	24.1	23.9	16.7	13.4
EV / EBITDA (x)						14.2	14.5	13.2	9.7	7.5
RoE (%)						15.0	14.1	13.0	16.8	18.6

Source: Company, HSIE Research

### Changes in estimates

YE March	FY26E			FY27E		
	Old	New	(%)	Old	New	(%)
EBITDA (INR bn)	19.9	18.8	-5.6	25.5	24.9	-2.2
EPS	18.5	16.8	-9.1	25.5	23.9	-6.0

Source: HSIE Research

**ADD**

CMP (as on 21 Jan 2026)	INR 401
Target Price	INR 483
NIFTY	25,158

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 472	INR 483
EPS change %	FY26E -9.1%	FY27E -6.0%

### KEY STOCK DATA

Bloomberg code	GUJGA IN
No. of Shares (mn)	688
MCap (INR bn) / (\$ mn)	275/2,997
6m avg traded value (INR mn)	152
52 Week high / low	INR 509/360

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(4.3)	(14.5)	(20.0)
Relative (%)	(1.3)	(14.1)	(28.0)

### SHAREHOLDING PATTERN (%)

	Sep-25	Dec-25
Promoters	60.89	60.89
FIs & Local MFs	14.99	15.06
FPIs	3.86	3.82
Public & Others	20.26	20.23
Pledged Shares	0.0	0.0

Source : BSE

### Nilesh Ghuge

nilesh.ghuge@hdfcsec.com  
+91-22-6171-7342

### Dhawal Doshi

dhawal.doshi@hdfcsec.com  
+91-22-6171-7361

### Prasad Vadnere

prasad.vadnere@hdfcsec.com  
+91-22-6171-7356