

Dalmia Bharat lines up Rs 19K cr to battle Adani, UltraTech Cement

Housing, infra push to raise demand for cement, according to MD and CEO Puneet Dalmia

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Dalmia Bharat, India's fourth largest cement producer, will spend around Rs 19,000 crore to expand its cement capacity to 120 million tonnes per annum (mtpa) by 2031 to cash in on the infrastructure and housing boom, its MD and CEO Puneet Dalmia said.

The company currently has a capacity of 41.1 mtpa, across 14 cement plants and grinding units which are spread across 10 states.

In December last year, it acquired Jaypee Group's 9.4 mtpa cement capacity for Rs 5,666 crore which is currently being integrated with its operations.

"This acquisition will give us access to Central and North India market, and we would look for more acquisition opportunities in the mid-segment as we expect the industry to consolidate further in the coming years," Dalmia said in an interview in his New Delhi office.

"India will invest a trillion dollars in infrastructure in the next decade and that will create a sizable demand growth for cement," Dalmia said.

"We are seeing that with housing for all initiative by the Central government and easier availability of home loans, people are advancing their construction and we think these two are core demand drivers for us in the next decade," he added.

The demand for cement is expected to rise as the Indian government spends Rs 10 trillion in infrastructure building and due to the housing boom across the country. We think the entire cement industry is at the cusp of a significant growth cycle," he said.

Dalmia said post 2024 General Elections, there will be a major jump in private-sector capital expenditure.

"We are doing our largest capex in history. We have an organic expansion of almost Rs 9,000 crore. And another Rs 6,000 crore in acquiring Jaypee assets. We have also announced a capex of Rs 4,000 crore in Northeast India. Our investments are ahead of the curve, and anyone who is investing now will be a big beneficiary," Dalmia said.

He further said, "At the same time, we are careful of our financial metrics and we do not want our Debt to Ebitda ratio to go beyond two. We are not going to do any highly leveraged bets. We have a strong balance and strong cash flows. We are also keeping some firepower ready for any acquisition which is available at the right price."

In the quarter ending March this year, the top 10 Indian cement companies reported volume growth of 12 per cent on a year-on-year basis while their profitability improved sequentially (EBITDA per tonne was up 15 per cent QoQ) as power and fuel costs declined by up to 20 per cent. However, despite a busy season, realisation growth was tepid due to rising competition.

As of now, the sector is fragmented among 40 companies with the top 10 companies cornering the major share of the market. As a result, the share prices of cement companies have improved since January this year.

For the financial year ended on March 31, 2023, its revenue stood at Rs 13,540 crore and its consolidated net profit was up 27.69 per cent at Rs 1,079 crore. The share price of Dalmia Bharat is up 12.5 per cent since January this year taking the company's market capitalisation to Rs 39,282 crore as on Friday closing.

