

Birla Corporation

Estimate change



TP change



Rating change



Bloomberg	BCORP IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	93.7 / 1.1
52-Week Range (INR)	1266 / 843
1, 6, 12 Rel. Per (%)	-1/24/14
12M Avg Val (INR M)	154

Financial Snapshot (INR b)

Y/E MARCH	FY23	FY24E	FY25E
Sales	86.8	96.0	101.0
EBITDA	7.7	13.0	15.5
Adj. PAT	0.4	3.4	5.1
EBITDA Margin (%)	8.9	13.6	15.3
Adj. EPS (INR)	4.7	44.3	66.0
EPS Gr. (%)	-91.4	n/m	48.7
BV/Sh. (INR)	777	811	865

Ratios

Net D:E	0.6	0.6	0.5
RoE (%)	0.6	5.6	7.9
RoCE (%)	3.1	5.4	6.7
Payout (%)	48	23	18

Valuations

P/E (x)	259.8	27.5	18.5
P/BV (x)	1.6	1.5	1.4
EV/EBITDA(x)	16.4	9.8	7.8
EV/ton (USD)	79	75	71
Div. Yield (%)	0.2	0.8	1.0

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	62.9	62.9	62.9
DII	15.8	16.4	16.1
FII	7.2	5.7	4.3
Others	14.1	15.0	16.7

FII Includes depository receipts

CMP: INR1,217

TP: INR1,460 (+20%)

Buy

Focus remains on improving operations at Mukutban plant

Volume growth guidance intact at 15% YoY in FY24

- Birla Corporation (BCORP)'s 1QFY24 performance was in line with our estimates. Consolidated EBITDA stood at INR3b. EBITDA/t came in at INR675 vs. estimated INR744. Adj. PAT stood at INR597m vs. estimated INR613m.
- BCORP continued to ramp up production steadily at the Mukutban plant and its volume rose 21% QoQ in 1QFY24. Further, the plant reported significant cost reduction led by efficiency measures such as rising captive power use (CPP and WHRS), ramping up mining operations to increase limestone availability from captive mine and improving clinker quality in 1QFY24.
- We maintain our earnings estimates for FY24/FY25 and will monitor the performance of Mukutban unit closely. **Reiterate BUY with a TP of INR1,460 (premised on 9x FY25E EV/EBITDA).**

Volume increases 12% YoY; Opex/t declines 3% YoY

- Consolidated revenue/EBITDA/adj. PAT stood at INR24b/INR3b/INR597m (up 9%/up 15%/down 16% YoY and down 2%/up 1%/down 3% vs. our estimates) in 1QFY24. Sales volume at 4.41mt grew 12% YoY (2% below our estimate). Cement realization declined 2% YoY (in line) during the quarter.
- Opex/t declined 3% YoY, due to 1% YoY drop in variable/freight costs (each). Other expenses/employee costs/t declined 11%/3% YoY, benefitting from higher volume. OPM was up 60bp YoY to 12.4% and EBITDA/t improved 2% YoY to INR675 in 1QFY24.
- Depreciation/finance costs increased 23%/39% YoY, whereas other income grew 13% YoY. ETR was at 21.7% vs. 19.7% in 1QFY23. Hence, adjusted PAT declined 16% YoY to INR597m (estimated INR613m) in 1QFY24.

Highlights from the management commentary

- The capacity utilization (ex-Mukutban plant) stood at +105% and overall cement capacity utilization stood at 91% (vs. 88% in 1QFY23).
- Fuel cost was at INR1.95/Kcal and is estimated to decline to INR1.7-INR1.73/kcal in the next few quarters. It targets to achieve EBITDA/t of INR850 in FY24E.
- Capex pegged at INR10b in FY24E including pending capex for Mukutban plant. Cement capacity at year-end will remain same at 20mtpa. BCORP's net debt stood at INR36b and cost of borrowing was 8.02%. The company targets net debt/EBITDA of <3x on a sustainable basis.

Valuation and view

- The company continues to focus on ramping up operations at Mukutban plant and the focus will also be on profitability improvement rather than chasing capacity growth. We estimate its net debt to decline to INR31b (vs. INR36b currently) and net debt/EBITDA to contract to 2x (from 4.8x in FY23).
- BCORP trades at 9.8x/7.8x FY24E/FY25E EV/EBITDA. **We reiterate our BUY rating with a TP of INR1,460, based on 9x FY25E EV/EBITDA.**

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MotilalOswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Consolidated performance

(INR b)

Y/E March	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Cement Sales (MT)	3.93	3.64	3.72	4.44	4.41	3.97	4.25	4.90	15.73	17.53	4.48	(2)
YoY Change (%)	17.3	11.3	11.0	4.7	12.2	9.0	14.2	10.4	10.6	11.4	14.0	
Cement Realization	5,344	5,151	5,177	5,279	5,229	5,169	5,194	5,245	5,242	5,212	5,254	(0)
YoY Change (%)	8.1	5.6	4.9	4.1	(2.2)	0.4	0.3	(0.6)	5.7	(0.6)	(1.7)	
QoQ Change (%)	5.4	(3.6)	0.5	2.0	(0.9)	(1.1)	0.5	1.0			(0.5)	
Net Sales	22.0	20.0	20.2	24.6	24.1	21.8	23.0	27.1	86.8	96.0	24.7	(2)
YoY Change (%)	26.0	17.8	15.2	8.8	9.3	9.2	14.2	10.0	16.4	10.6	11.9	
Total Expenditure	19.4	19.1	18.7	21.9	21.1	19.3	20.0	22.6	79.1	83.0	21.7	(3)
EBITDA	2.6	0.9	1.4	2.7	3.0	2.6	3.1	4.4	7.7	13.0	2.9	1
Margin (%)	11.8	4.7	7.2	11.1	12.4	11.8	13.3	16.4	8.9	13.6	11.9	45
Depreciation	1.1	1.3	1.3	1.4	1.4	1.5	1.5	1.6	5.1	6.0	1.4	(0)
Interest	0.7	0.9	0.9	0.9	1.0	0.9	0.9	0.9	3.4	3.8	0.9	8
Other Income	0.1	0.4	0.1	0.5	0.2	0.4	0.2	0.5	1.1	1.2	0.2	(19)
Profit before Tax	0.9	-0.8	-0.6	0.9	0.8	0.5	0.8	2.5	0.4	4.6	0.8	(8)
EO (Income)/Expense	0.1	-	-	(0.2)	-	-	-	-	(0.1)	-	-	
Profit before Tax after EO	0.8	-0.8	-0.6	1.1	0.8	0.5	0.8	2.5	0.4	4.6	0.8	(8)
Tax	0.2	-0.3	-0.1	0.3	0.2	0.1	0.2	0.6	0.0	1.1	0.2	(23)
Rate (%)	19.7	31.5	22.6	24.8	21.7	25.0	25.0	26.0	6.1	25.0	26.0	
Reported PAT	0.6	-0.6	-0.5	0.8	0.6	0.4	0.6	1.8	0.4	3.4	0.6	(3)
Adj. PAT	0.7	-0.6	-0.5	0.7	0.6	0.4	0.6	1.8	0.4	3.4	0.6	(3)
Margin (%)	3.2	-2.8	-2.5	2.9	2.5	1.8	2.6	6.7	0.4	3.6	2.5	
YoY Change (%)	(49.6)	NM	NM	(48.5)	(16.2)	NM	NM	155.8	(91.4)	846.2	(14.0)	

Per tonne analysis (INR)

Blended Realization	5,608	5,494	5,420	5,546	5,461	5,503	5,423	5,528	5,520	5,480	5,503	(1)
YoY Change (%)	7.4	5.8	3.7	3.9	(2.6)	0.2	0.1	(0.3)	5.2	(0.7)	(1.9)	
Raw Material	565	592	593	982	958	850	800	866	696	869	900	6
Staff Cost	325	361	355	293	317	361	340	298	331	327	307	3
Power and Fuel	1,564	1,671	1,549	1,291	1,153	1,173	1,123	1,086	1,508	1,131	1,271	(9)
Transport and Forwarding	1,330	1,361	1,325	1,340	1,321	1,311	1,320	1,324	1,339	1,319	1,325	(0)
Other Exp.	1,163	1,250	1,208	1,023	1,038	1,160	1,120	1,036	1,154	1,089	1,044	(0)
Total Expenditure	4,948	5,236	5,031	4,928	4,786	4,855	4,703	4,622	5,029	4,736	4,847	(1)
EBITDA	660	258	388	618	675	648	720	906	491	744	656	3

Source: Company, MOFSL Estimates



Highlights from the management commentary

Highlights of the Mukutban operations

- The company continues to steadily ramp up production at the Mukutban plant and dispatches increased 21% QoQ. It plans to gradually expand its presence beyond Vidarbha region such as to Nashik, and Aurangabad markets.
- It witnessed significant decline in production cost at Mukutban plant supported by not only increasing volumes but also efficiency measures such as increasing captive power usage (CPP and WHRS), ramping up mining operations to increase limestone availability from captive mine, improving clinker quality that led to reduction in third-party/inter-unit clinker purchases. Cost is further estimated to decline in the coming quarters.
- Mukutban plant's lead distance is 150-200km for dispatches in Maharashtra markets, while average lead distance for the entire plant is ~384km as the company is supplying in other markets like Southern part of Madhya Pradesh, Gujarat and Telangana. Going forward, lead distance will come down to 340-350km as sales volume increased in other parts of Maharashtra.
- About 40-50% of trade sales from Mukutban plant are of premium products (Perfect Plus). Mukutban plant has ~65% of direct dispatches. Management guided for an exit-monthly volume of 0.2mt from Mukutban plant at FY24-end.

Demand, pricing and other operational highlights

- Volume growth is expected to be at 15% YoY in FY24. The capacity utilization (ex-Mukutban) stood at +105% at exiting plants. Overall cement capacity utilization stood at 91% vs. 88% in 1QFY23.
- Cement prices to remain soft in 2Q due to the monsoon season. However, prices are likely to remain stable in FY24. Its premium brand 'Perfect Plus' is a national flagship brand and its sales jumped 38% YoY in the quarter. In Madhya Pradesh, the premium product sale was low over the the last few quarters, but sales grew ~21% YoY in 1QFY24.
- The company started fly-ash transportation through specialized lead-proof BTAP rakes that led to cost savings. Fuel cost was INR1.95/Kcal in 1QFY24 and is likely to decline to INR1.7-INR1.73 in the next couple of quarters. It maintains to achieve EBITDA/t guidance of INR850 by FY24E.

Capacity expansion and capex

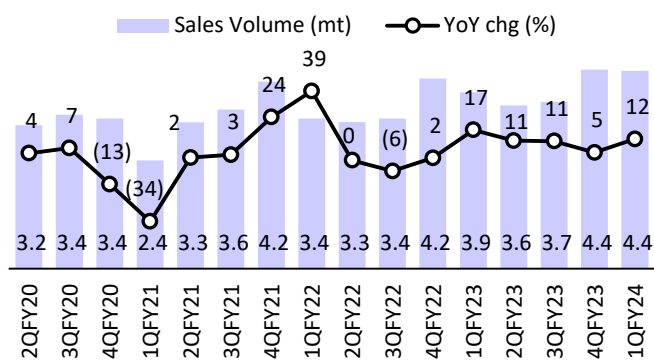
- The focus is on ramping up operations at Mukutban plant and any expansion plan will be undertaken later. It plans to add one more line at Maihar, Madhya Pradesh, debottlenecking of capacities at Rajasthan plant and a grinding unit in proximity to Mukutban plant. However, no timeline has been provided.
- Capex pegged at INR10b in FY24 including pending capex for Mukutban plant. Cement capacity at year-end will remain same at 20mtpa.
- Company's net debt stood at INR36b and cost of borrowing was 8.02%. It targets a net debt/EBITDA of <3x on a sustainable basis.

Incentive benefits

- It has booked incentive of INR450m in 1QFY24 largely from Kundanganj plant and this plant's incentive benefit will get over by end-FY24. The company is eligible for state incentive for its Mukutban expansion. This incentive is estimated to be higher than the Kundanganj plant and will compensate for any incentive loss at Kundanganj.

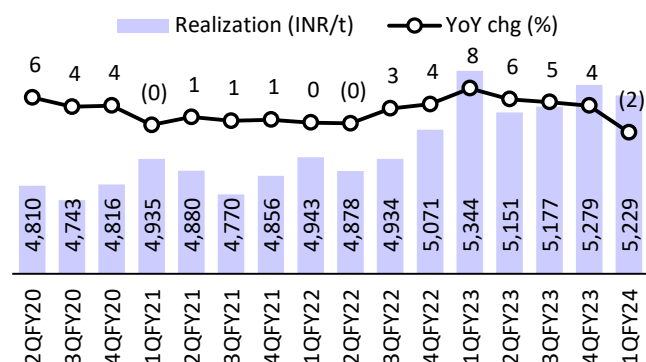
Story in charts

Exhibit 1: Sales volume up 12% YoY



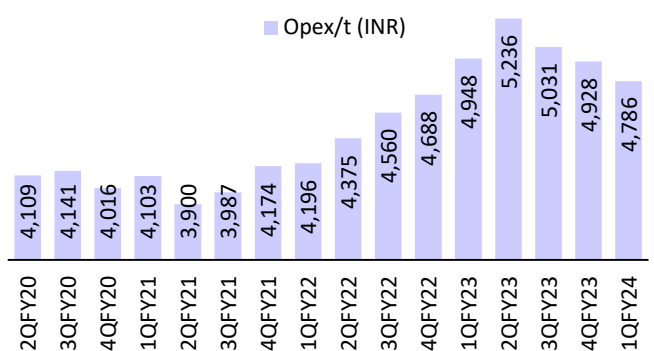
Source: Company, MOFSL

Exhibit 2: Cement realization declined 2% YoY



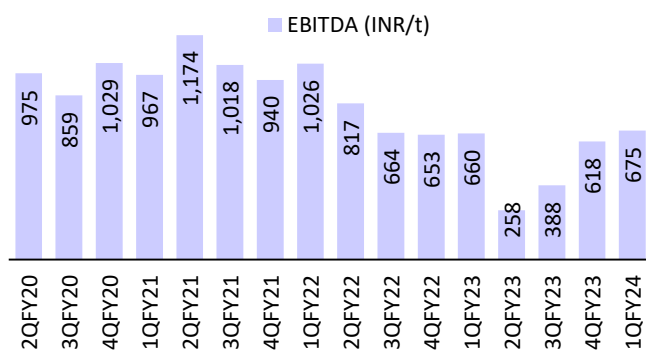
Source: Company, MOFSL

Exhibit 3: OPEX/t declined 3% YoY and QoQ each



Source: Company, MOFSL

Exhibit 4: EBITDA/t increased 2% YoY to INR675



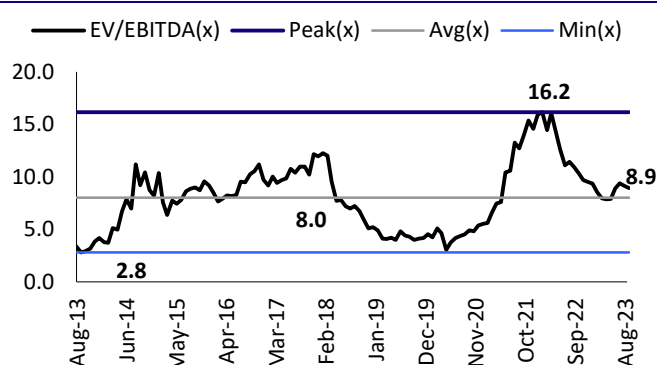
Source: Company, MOFSL

Exhibit 5: Key performance indicators – per tonne analysis

INR/t	1QFY24	1QFY23	YoY (%)	4QFY23	QoQ (%)
Blended realization	5,461	5,608	(3)	5,546	(2)
RM Cost	958	565	69	982	(2)
Employee Expenses	317	325	(3)	293	8
Power, Oil, and Fuel	1,153	1,564	(26)	1,291	(11)
Freight and Handling Outward	1,321	1,330	(1)	1,340	(1)
Other Expenses	1,038	1,163	(11)	1,023	2
Total Expenses	4,786	4,948	(3)	4,928	(3)
EBITDA	675	660	2	618	9

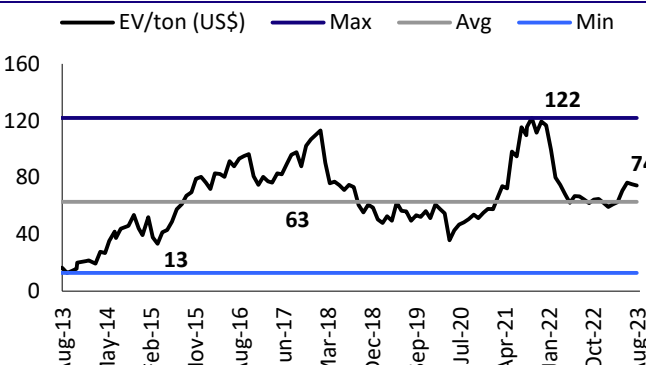
Source: Company, MOFSL

Exhibit 6: One-year forward EV/EBITDA trend



Source: Company, MOFSL

Exhibit 7: One-year forward EV/t trend



Source: Company, MOFSL

Financials and valuations

Consolidated Income Statement

	(INR m)							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Sales	57,342	65,487	69,157	67,855	74,612	86,823	96,043	1,00,951
Change (%)	31.9	14.2	5.6	-1.9	10.0	16.4	10.6	5.1
Total Expenditure	49,275	56,001	55,797	54,163	63,512	79,103	82,996	85,460
EBITDA	8,066	9,486	13,360	13,691	11,100	7,720	13,048	15,490
Margin (%)	14.1	14.5	19.3	20.2	14.9	8.9	13.6	15.3
Depreciation	3,322	3,391	3,519	3,708	3,969	5,099	5,975	6,343
EBIT	4,745	6,095	9,841	9,984	7,131	2,621	7,072	9,147
Int. and Finance Charges	3,776	3,705	3,877	2,963	2,427	3,387	3,762	3,590
Other Income - Rec.	755	785	851	673	988	1,131	1,243	1,260
PBT after EO	1,598	3,174	6,815	8,375	5,421	431	4,553	6,817
Change (%)	-30.6	98.6	114.7	22.9	-35.3	-92.0	n/m	49.7
Tax	59	617	1,763	2,074	1,435	26	1,138	1,738
Tax Rate (%)	3.7	19.4	25.9	24.8	26.5	6.1	25.0	25.5
Reported PAT	1,540	2,557	5,052	6,301	3,986	405	3,414	5,079
Extra-Ordinary Expenses	125	0	0	-681	271	-67	0	0
PAT Adjusted for EO Items	1,664	2,557	5,052	5,460	4,200	361	3,414	5,079
Change (%)	-26.4	53.6	97.6	8.1	-23.1	-91.4	n/m	48.7
Margin (%)	2.9	3.9	7.3	8.0	5.6	0.4	3.6	5.0

Balance Sheet

	(INR m)							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	770	770	770	770	770	770	770	770
Reserves	42,028	44,182	47,291	54,090	59,718	59,038	61,682	65,837
Net Worth	42,798	44,952	48,061	54,860	60,488	59,808	62,452	66,607
Loans	38,951	40,492	42,820	40,464	42,080	43,497	43,997	39,497
Deferred Liabilities	7,452	7,422	8,568	8,668	9,722	9,712	9,712	9,712
Capital Employed	89,201	92,866	99,449	1,03,992	1,12,291	1,13,017	1,16,161	1,15,816
Gross Block	81,071	83,400	87,430	91,087	97,586	1,25,338	1,35,914	1,41,414
Less: Accum. Deprn.	7,361	10,738	14,158	17,852	21,821	26,920	32,896	39,239
Net Fixed Assets	73,710	72,662	73,273	73,235	75,765	98,418	1,03,018	1,02,175
Capital WIP	7,599	9,119	16,020	21,048	25,511	3,576	3,000	3,500
Investments	6,723	8,769	8,363	7,526	10,093	8,683	8,683	8,683
Curr. Assets	22,717	22,765	24,098	27,147	27,147	30,042	31,042	33,171
Inventory	6,870	7,830	7,876	8,101	8,200	10,616	11,525	11,105
Account Receivables	1,914	2,622	2,504	2,795	3,028	3,233	3,362	3,533
Cash and Bank Balance	2,198	1,390	2,558	1,773	1,380	2,183	1,724	3,669
Others	11,735	10,924	11,160	14,479	14,539	14,010	14,432	14,865
Curr. Liability and Prov.	21,548	20,450	22,306	24,964	26,225	27,703	29,583	31,714
Account Payables	21,056	19,911	21,637	24,230	25,453	26,797	28,813	30,790
Provisions	492	538	669	734	772	906	770	924
Net Current Assets	1,169	2,316	1,793	2,184	922	2,340	1,459	1,457
Appl. of Funds	89,201	92,866	99,449	1,03,992	1,12,291	1,13,017	1,16,161	1,15,816

Source: Company, MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS	21.6	33.2	65.6	70.9	54.5	4.7	44.3	66.0
Cash EPS	64.7	77.2	111.3	119.0	106.1	70.9	121.9	148.3
BV/Share	555.8	583.7	624.1	712.4	785.5	776.6	811.0	864.9
DPS	6.5	7.5	7.5	10.0	10.0	2.5	10.0	12.0
Payout (%)	37.8	26.2	13.3	12.2	19.3	47.5	22.6	18.2
Valuation (x)								
P/E		36.7	18.6	17.2	22.3	259.8	27.5	18.5
Cash P/E		15.8	10.9	10.2	11.5	17.2	10.0	8.2
P/BV		2.1	2.0	1.7	1.5	1.6	1.5	1.4
EV/Sales		1.8	1.6	1.5	1.3	1.4	1.3	1.2
EV/EBITDA		13.1	9.4	9.1	11.2	16.4	9.8	7.8
EV/t - Cap (USD)		97	99	98	97	79	75	71
Dividend Yield (%)		0.6	0.6	0.8	0.8	0.2	0.8	1.0
Return Ratios (%)								
RoE	4.4	5.8	10.9	10.6	7.3	0.6	5.6	7.9
RoCE	6.3	6.1	8.2	7.9	5.5	3.1	5.4	6.7
RoIC	6.8	6.7	10.0	10.3	7.0	2.8	5.3	6.7
Working Capital Ratios								
Inventory (Days)	44	44	42	44	40	45	44	40
Debtor (Days)	12	15	13	15	15	14	13	13
Working Capital Turnover (Days)	0.6	0.7	0.7	0.7	0.7	0.8	0.8	0.9
Leverage Ratio								
Current ratio	1.1	1.1	1.1	1.1	1.0	1.1	1.0	1.0
Debt/Equity (x)	0.9	0.9	0.9	0.7	0.7	0.7	0.7	0.6

Cash Flow Statement

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	1,598	3,174	6,815	7,126	5,378	431	4,553	6,817
Depreciation	3,322	3,391	3,519	3,708	3,969	5,099	5,975	6,343
Interest and Finance Charges	3,776	3,705	3,877	2,963	2,427	3,387	3,762	3,590
Direct Taxes Paid	-552	-469	-418	-843	-610	-508	-1,138	-1,738
(Inc.)/Dec. in WC	481	1,309	207	-201	-2	280	422	1,947
CF from Operations	8,625	11,111	14,000	12,752	11,162	8,689	13,574	16,959
Others	-577	-470	-588	532	-770	-634	0	0
CF from Operating incl. EO	8,049	10,641	13,412	13,284	10,392	8,055	13,574	16,959
(Inc.)/Dec. in FA	-2,754	-4,030	-9,860	-8,028	-7,762	-6,263	-10,000	-6,000
Free Cash Flow	5,295	6,611	3,552	5,256	2,629	1,791	3,574	10,959
(Pur.)/Sale of Investments	-541	-1,521	-446	2,438	-1,269	1,595	0	0
Others	-129	-550	74	-1,699	950	601	0	0
CF from Investments	-3,423	-6,101	-10,232	-7,289	-8,082	-4,068	-10,000	-6,000
Issue of Shares	0	0	0	0	0	0	0	0
Inc./(Dec.) in Debt	-1,391	-1,297	1,860	-2,252	1,246	980	500	-4,500
Interest Paid	-3,558	-3,448	-3,872	-3,493	-3,179	-3,393	-3,762	-3,590
Dividend Paid	-501	-501	0	-1,036	-770	-770	-770	-924
Others	-102	-103	0	0	0	0	0	0
CF from Fin. Activity	-5,552	-5,349	-2,012	-6,781	-2,703	-3,183	-4,032	-9,014
Inc./Dec. in Cash	-926	-808	1,169	-786	-393	803	-459	1,945
Opening Balance	3,125	2,198	1,390	2,559	1,772	1,380	2,183	1,724
Closing Balance	2,198	1,390	2,559	1,772	1,380	2,183	1,724	3,669

Source: Company, MOFSL estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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