

Birla Corporation

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	BCORP IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	100.1 / 1.2
52-Week Range (INR)	1340 / 843
1, 6, 12 Rel. Per (%)	4/25/30
12M Avg Val (INR M)	151

Financial Snapshot (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Sales	98.6	104.8	110.9
EBITDA	13.5	16.3	17.9
Adj. PAT	3.5	5.5	6.8
EBITDA Margin (%)	13.7	15.6	16.1
Adj. EPS (INR)	46.0	71.0	87.8
EPS Gr. (%)	881.9	54.4	23.6
BV/Sh. (INR)	813	872	947

Ratios

Net D:E	0.6	0.5	0.3
RoE (%)	5.8	8.4	9.7
RoCE (%)	5.6	7.1	7.9
Payout (%)	22	17	14

Valuations

P/E (x)	28.0	18.1	14.7
P/BV (x)	1.6	1.5	1.4
EV/EBITDA(x)	9.8	7.7	6.6
EV/ton (USD)	78	74	70
Div. Yield (%)	0.8	0.9	0.9

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	62.9	62.9	62.9
DII	16.0	15.8	15.8
FII	6.6	7.2	4.3
Others	14.5	14.1	17.0

FII Includes depository receipts

CMP: INR1,299 TP: INR1,655 (+27%) Buy

Ramp-up of Mukutban plant to support better profitability

Greenfield grinding unit of 1.4mtpa capacity announced

- Higher volumes (+5% above estimates) helped BCORP beat our estimates in 2QFY24, though OPM and EBITDA/t were in line. Consol. EBITDA stood at INR2.9b (v/s est. INR2.7b) and EBITDA/t was at INR961. OPM stood at 12.6% for the quarter. Adj. PAT was at INR586m vs. estimated INR483m.
- The Mukutban plant achieved a capacity utilization of ~46% in Sep-23, and there was further improvement in volumes in Oct-23. A Greenfield grinding unit of 1.4mtpa at Prayagraj, Uttar Pradesh has been announced, which is estimated to be commissioned in 1QFY26 with a capex of INR40b.
- Higher volumes in 1HFY24 led us to increase our EBITDA by 2%/4% and our EPS by 2%/7% for FY24E/25E. We like BCORP due to its consistent capacity expansion plans. **Reiterate BUY with a revised TP of INR1,655.**

Volumes up 15% YoY; Opex/t down 9% YoY

- Consolidated revenue/EBITDA stood at INR23b/INR2.9b (up 14%/3.1x YoY and up 3%/5% vs. our estimates) in 2QFY24. Adj. PAT stood at INR586m vs. a net loss of INR565m in 2QFY23. Sales volumes at 4.18mt grew 15% YoY. Cement realization was up 1% YoY (-1% v/s estimates).
- Opex/t declined 9% YoY (2% below our estimate), driven by a 7%/9%/12% drop in variable costs /freight costs/other expenses. Employee costs/t declined 6% YoY, benefitting from higher volume. OPM was up 8pp YoY to 12.6%, and EBITDA/t jumped 2.7x YoY to INR961. Depreciation increased 14% YoY, while other income declined 34% YoY.
- In 1HFY24, revenue grew 12% YoY to INR47b, led by 13% growth in volume and ~1% drop in realization. EBITDA grew 66% YoY, and OPM surged 4pp YoY to 12.5%. EBITDA/t was up 46% YoY at INR683. Adj. net profit surged 7x YoY to INR1.2b. Consolidated CFO stood at INR6.8b vs. cash outflow of INR2.8b in 1HFY23. Capex stood at INR2.9b vs. INR3.3b in 1HFY23.

Highlights from the management commentary

- The ramp-up of the Mukutban plant (Maharashtra) is as per the initial targets, and the capacity utilization was at 40% in 1HFY24. Exit-FY24 capacity utilization should be at 65-70%. There has been a 50% reduction in variable costs since the start of operations at this plant.
- It remains confident of achieving INR850/t EBITDA in FY24 (v/s INR683 in 1HFY24) and believes that its internal efforts will lead to ~3% increase in realization during 2HFY24.

Valuation attractive; maintain BUY

- We expect the profitability of BCORP to improve going forward, led by a gradual improvement in Mukutban's capacity utilization. We estimate EBITDA/t to be at INR754/INR864/INR903 in FY24/25/26E.
- BCORP trades at 7.7x/6.6x FY25/26E EV/EBITDA, a lower valuation compared to its similar-sized peers. **We maintain our BUY rating with a revised TP of INR1,655, based on 9x Sep-25E EV/EBITDA (v/s Mar-25 earlier).**

Sanjeev Kumar Singh - Research analyst (Sanjeev.Singh@MotilalOswal.com)

Mudit Agarwal - Research analyst (Mudit.Agarwal@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

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Consolidated Performance

(INRb)

Y/E March	FY23				FY24E				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Cement Sales (m ton)	3.93	3.64	3.72	4.44	4.41	4.18	4.39	4.94	15.73	17.92	3.97	5
YoY Change (%)	17.3	11.3	11.0	4.7	12.2	14.8	18.0	11.2	10.6	13.9	9.0	
Cement Realization	5,344	5,151	5,177	5,279	5,229	5,211	5,271	5,324	5,242	5,262	5,239	(1)
YoY Change (%)	8.1	5.6	4.9	4.1	(2.2)	1.2	1.8	0.9	5.7	0.4	1.7	
QoQ Change (%)	5.4	(3.6)	0.5	2.0	(0.9)	(0.3)	1.2	1.0			0.2	
Net Sales	22.0	20.0	20.2	24.6	24.1	22.9	24.1	27.5	86.8	98.6	22.1	22.0
YoY Change (%)	26.0	17.8	15.2	8.8	9.3	14.3	19.7	11.7	16.4	13.5	10.5	26.0
Total Expenditure	19.4	19.1	18.7	21.9	21.1	20.0	20.9	23.1	79.1	85.1	19.4	19.4
EBITDA	2.6	0.9	1.4	2.7	3.0	2.9	3.2	4.4	7.7	13.5	2.7	2.6
Margins (%)	11.8	4.7	7.2	11.1	12.4	12.6	13.3	16.1	8.9	13.7	12.4	11.8
Depreciation	1.1	1.3	1.3	1.4	1.4	1.4	1.5	1.5	5.1	5.8	1.5	1.1
Interest	0.7	0.9	0.9	0.9	1.0	1.0	1.0	1.0	3.4	3.8	0.9	0.7
Other Income	0.1	0.4	0.1	0.5	0.2	0.3	0.2	0.3	1.1	0.9	0.3	0.1
Profit before Tax	0.9	-0.8	-0.6	0.9	0.8	0.8	1.0	2.2	0.4	4.7	0.6	0.9
EO (Income)/Expense	0.1	-	-	(0.2)	-	0.0	-	-	(0.1)	0.0	-	0.1
Profit before Tax after EO	0.8	-0.8	-0.6	1.1	0.8	0.8	1.0	2.2	0.4	4.7	0.6	0.8
Tax	0.2	-0.3	-0.1	0.3	0.2	0.2	0.2	0.6	0.0	1.2	0.2	0.2
Rate (%)	19.7	31.5	22.6	24.8	21.7	24.3	25.0	26.4	6.1	25.0	25.0	19.7
Reported PAT	0.6	-0.6	-0.5	0.8	0.6	0.6	0.7	1.6	0.4	3.5	0.5	0.6
Adj. PAT	0.7	-0.6	-0.5	0.7	0.6	0.6	0.7	1.6	0.4	3.5	0.5	0.7
Margins (%)	3.2	-2.8	-2.5	2.9	2.5	2.6	3.0	6.0	0.4	3.6	2.2	3.2
YoY Change (%)	(49.6)	NM	NM	(48.5)	(16.2)	NM	NM	131.5	(91.4)	881.9	NM	(49.6)

E: MOSL Estimates

(INR/t)

Key operating indicators (INR/ton)*	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	FY23	FY24E	2QE	
Blended Realization	5,608	5,494	5,420	5,546	5,461	5,468	5,496	5,573	5,520	5,502	5,569	(2)
YoY Change (%)	7.4	5.8	3.7	3.9	(2.6)	(0.5)	1.4	0.5	5.2	(0.3)	1.4	
Raw Material	565	592	593	982	958	917	900	899	696	918	850	8
Staff Cost	325	361	355	293	317	341	329	298	331	320	361	(6)
Power & Fuel	1,564	1,671	1,549	1,291	1,153	1,183	1,153	1,103	1,508	1,146	1,183	0
Transport & Forwarding	1,330	1,361	1,325	1,340	1,321	1,240	1,270	1,282	1,339	1,279	1,311	(5)
Other Exp	1,163	1,250	1,208	1,023	1,038	1,096	1,110	1,095	1,154	1,085	1,175	(7)
Total Expenditure	4,948	5,236	5,031	4,928	4,786	4,777	4,763	4,678	5,029	4,748	4,880	(2)
EBITDA	660	258	388	618	675	691	734	895	491	754	690	0

Source: Company, MOFSL Estimates



Highlights from the management commentary

Highlights of the Mukutban operations

- The progress at this plant is as per initial plans, and the ramp-up is happening every month. Capacity utilization of this plant was 40% in 1HFY24 and FY-24 exit utilization should be at 65-70%. There has been a 50% reduction in variable costs since the start of operations at this plant. Premium products contributed to 40%+ of total volumes of this plant.
- Sales volume from this plant reached at 0.15mt in Sep-23, and 65-70% of the sales volume was contributed by Maharashtra markets. The company is able to cater to a large area of South Madhya Pradesh (MP) from this plant, along with a few areas of Gujarat and Chhattisgarh. The company will continue to sell 65-70% of its volumes into Maharashtra markets even when volume increases.
- The lead distance to serve Gujarat markets is higher at 750-800kms vs. 250-300kms for Maharashtra markets. However, the contribution from Gujarat markets is higher as prices there are better than Maharashtra and MP markets. The average lead of this plant is 350-400km.

Cost savings and other initiatives

- "Project Shikhar" has yielded ~INR50/t of cost savings during 2QFY24 through process improvements in the areas of power and fuel consumption, fly ash absorption, limestone costs, and plant overheads. Phase 2 of this project will start now and benefits are expected to accrue after six months.
- "Project Unnati" has been launched with a view to increasing the efficiency of the company's "Go-to-Market" operations, with a focus on sales, logistics, and marketing domains. It aims to expand the market footprint and increase the intensity of coverage in core geographies by improving reach and penetration.
- The impact is already visible in the company gaining market share in almost all key markets, except Bihar. Its sale of premium products has increased 13% YoY in these markets and contributed to 54% of total volumes.
- Perfect Plus, the flagship brand, has registered a growth of 23% YoY led by higher volumes in Uttar Pradesh and Madhya Pradesh.

Demand and pricing outlook

- Demand during 3QFY24 might be impacted for a short period due to state elections in MP and Rajasthan. However, demand momentum will continue, led by central government infrastructure spends and positive traction in the housing sector. Capacity utilization should be +90% in 2HFY24.
- Cement prices have remained range-bound overall, and this trend should be seen in future too. There has been price improvement in Maharashtra markets, which will help realizations improve.
- EBITDA/ t target is ~INR850/t in FY24. Better geo-mix, cost reduction and higher sales of premium products will help improve profitability in 2HFY24. The expectation is of ~3% realization improvement in 2HFY24, led by internal efforts.

Operational data points

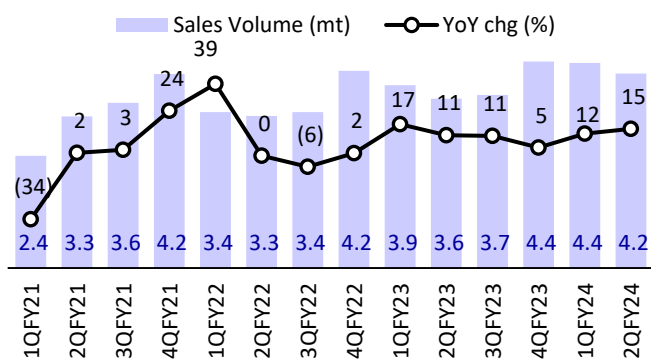
- Blended cement sales stood at 86%/87% of total volumes in 2QFY24/1HFY24 v/s 90%/91% in 2QFY23/1HFY23.
- Premium products contributed to 54% of total volumes in 2QFY24 and 1HFY24 v/s 51%/49% in 2QFY23/1HFY23.
- The company switched from grid power to captive power plants and captive units contributed 60% of the power requirements of integrated units was v/s 22% in 2QFY23.
- The share of renewable power was 23% (highest-ever) v/s 21% in 2QFY23.
- Fuel costs are expected to remain at similar levels of 2QFY24 in 3Q.

Capacity expansion and incentives

- A Greenfield grinding unit of 1.4mtpa will be set up in Prayagraj, Uttar Pradesh with an investment of INR40b. This unit should be commissioned by 1QFY26. The company already has land for this plant and construction will start immediately after all the approvals are received.
- This unit will also be eligible for state government incentives. Incentives for its plant in Kundanganj, Uttar Pradesh will be over by FY24-end.
- The Mukutban plant is eligible for state government incentives for its sales in Maharashtra, which is estimated at INR600/t. BCORP is eligible for 100% SGST incentive upto 100% of project cost, which is available for the next 20 years.
- The major clinker expansion in the next phase will be mostly in Maihar, MP. Earlier, the plan was to complete this plant in FY25; however, it will mostly be completed in FY26 now.

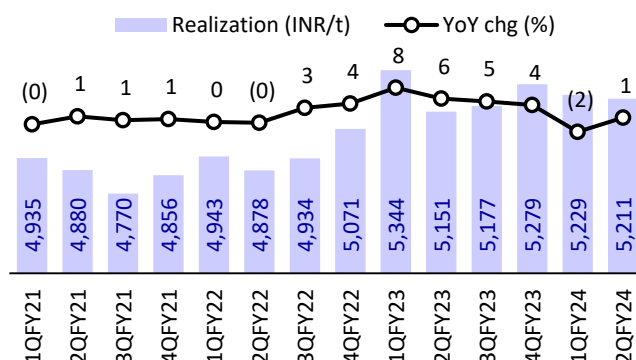
Story in charts

Exhibit 1: Sales volume up 15% YoY



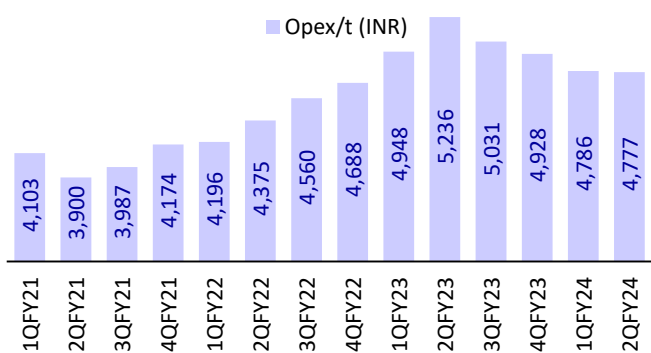
Source: Company, MOFSL

Exhibit 2: Cement realization up 1% YoY; flat QoQ



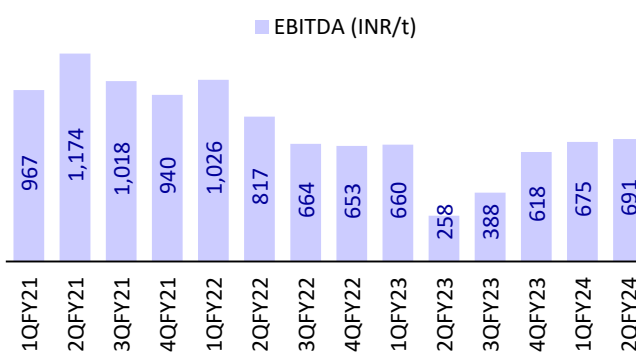
Source: Company, MOFSL

Exhibit 3: OPEX/t down 9% YoY, flat QoQ



Source: Company, MOFSL

Exhibit 4: EBITDA/t up 2.7x YoY on lower costs



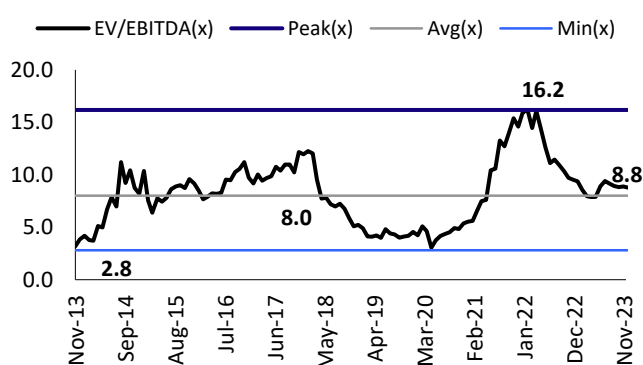
Source: Company, MOFSL

Exhibit 5: Key performance indicators – per tonne analysis

INR/t	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)
Blended realization	5,468	5,494	(0)	5,461	0
RM Cost	917	592	55	958	(4)
Employee Expenses	341	361	(6)	317	8
Power, Oil, and Fuel	1,183	1,671	(29)	1,153	3
Freight and Handling Outward	1,240	1,361	(9)	1,321	(6)
Other Expenses	1,096	1,250	(12)	1,038	6
Total Expenses	4,777	5,236	(9)	4,786	(0)
EBITDA	691	258	168	675	2

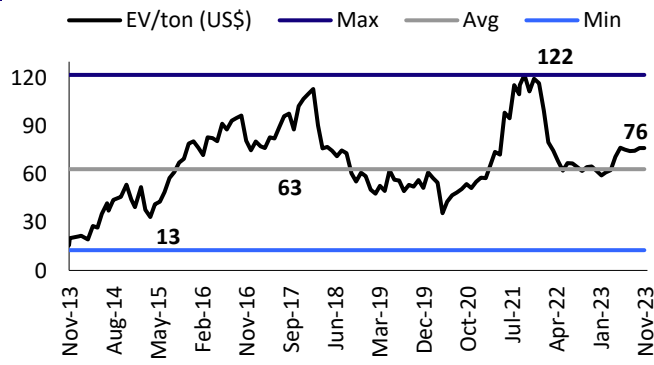
Source: Company, MOFSL

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

Income Statement (Consolidated)

	(INR m)							
Y/E March	2019	2020	2021	2022	2023	2024E	2025E	2026E
Net Sales	65,487	69,157	67,855	74,612	86,823	98,581	1,04,809	1,10,924
Change (%)	14.2	5.6	-1.9	10.0	16.4	13.5	6.3	5.8
Total Expenditure	56,001	55,797	54,163	63,512	79,103	85,073	88,505	93,070
EBITDA	9,486	13,360	13,691	11,100	7,720	13,508	16,303	17,855
Margin (%)	14.5	19.3	20.2	14.9	8.9	13.7	15.6	16.1
Depreciation	3,391	3,519	3,708	3,969	5,099	5,813	6,171	6,426
EBIT	6,095	9,841	9,984	7,131	2,621	7,695	10,133	11,428
Int. and Finance Charges	3,705	3,877	2,963	2,427	3,387	3,850	3,674	3,278
Other Income - Rec.	785	851	673	988	1,131	879	884	926
PBT after EO	3,174	6,815	8,375	5,421	431	4,722	7,343	9,077
Change (%)	98.6	114.7	22.9	-35.3	-92.0	n/m	55.5	23.6
Tax	617	1,763	2,074	1,435	26	1,180	1,872	2,315
Tax Rate (%)	19.4	25.9	24.8	26.5	6.1	25.0	25.5	25.5
Reported PAT	2,557	5,052	6,301	3,986	405	3,541	5,470	6,762
Extra Ordinary Expenses	0	0	-681	271	-67	3	0	0
PAT Adj for EO Items	2,557	5,052	5,460	4,200	361	3,543	5,470	6,762
Change (%)	53.6	97.6	8.1	-23.1	-91.4	881.9	54.4	23.6
Margin (%)	3.9	7.3	8.0	5.6	0.4	3.6	5.2	6.1

Balance Sheet

	(INR m)							
Y/E March	2019	2020	2021	2022	2023	2024E	2025E	2026E
Equity Share Capital	770	770	770	770	770	770	770	770
Reserves	44,182	47,291	54,090	59,718	59,038	61,809	66,355	72,194
Net Worth	44,952	48,061	54,860	60,488	59,808	62,579	67,125	72,964
Loans	40,492	42,820	40,464	42,080	43,497	43,997	39,497	34,997
Deferred Liabilities	7,422	8,568	8,668	9,722	9,712	9,712	9,712	9,712
Capital Employed	92,866	99,449	1,03,992	1,12,291	1,13,017	1,16,288	1,16,334	1,17,672
Gross Block	83,400	87,430	91,087	97,586	1,25,338	1,35,914	1,41,414	1,47,414
Less: Accum. Deprn.	10,738	14,158	17,852	21,821	26,920	32,733	38,904	45,330
Net Fixed Assets	72,662	73,273	73,235	75,765	98,418	1,03,181	1,02,510	1,02,084
Capital WIP	9,119	16,020	21,048	25,511	3,576	3,000	3,500	3,500
Investments	8,769	8,363	7,526	10,093	8,683	8,683	8,683	8,683
Curr. Assets	22,765	24,098	27,147	27,147	30,042	31,768	34,531	38,161
Inventory	7,830	7,876	8,101	8,200	10,616	11,830	11,529	12,202
Account Receivables	2,622	2,504	2,795	3,028	3,233	3,450	3,668	3,882
Cash and Bank Balance	1,390	2,558	1,773	1,380	2,183	2,056	4,468	6,765
Others	10,924	11,160	14,479	14,539	14,010	14,432	14,865	15,312
Curr. Liability & Prov.	20,450	22,306	24,964	26,225	27,703	30,344	32,891	34,756
Account Payables	19,911	21,637	24,230	25,453	26,797	29,574	31,967	33,832
Provisions	538	669	734	772	906	770	924	924
Net Current Assets	2,316	1,793	2,184	922	2,340	1,424	1,640	3,405
Appl. of Funds	92,866	99,449	1,03,992	1,12,291	1,13,017	1,16,288	1,16,334	1,17,672

Financials and valuations

Ratios								
Y/E March	2019	2020	2021	2022	2023	2024E	2025E	2026E
Basic (INR)								
EPS	33.2	65.6	70.9	54.5	4.7	46.0	71.0	87.8
Cash EPS	77.2	111.3	119.0	106.1	70.9	121.5	151.2	171.3
BV/Share	583.7	624.1	712.4	785.5	776.6	812.6	871.7	947.5
DPS	7.5	7.5	10.0	10.0	2.5	10.0	12.0	12.0
Payout (%)	26.2	13.3	12.2	19.3	47.5	21.7	16.9	13.7
Valuation (x)								
P/E	38.8	19.6	18.2	23.6	274.8	28.0	18.1	14.7
Cash P/E	16.7	11.6	10.8	12.1	18.2	10.6	8.5	7.5
P/BV	2.2	2.1	1.8	1.6	1.7	1.6	1.5	1.4
EV/Sales	1.8	1.7	1.6	1.4	1.5	1.3	1.2	1.0
EV/EBITDA	13.7	9.8	9.5	11.7	17.1	9.8	7.7	6.6
EV/Ton - Cap (USD)	102	103	102	102	83	78	74	70
Dividend Yield (%)	0.6	0.6	0.8	0.8	0.2	0.8	0.9	0.9
Return Ratios (%)								
RoE	5.8	10.9	10.6	7.3	0.6	5.8	8.4	9.7
RoCE	6.1	8.2	7.9	5.5	3.1	5.6	7.1	7.9
RoIC	6.7	10.0	10.3	7.0	2.8	5.7	7.5	8.6
Working Capital Ratios								
Inventory (Days)	44	42	44	40	45	44	40	40
Debtor (Days)	15	13	15	15	14	13	13	13
Wkg. Capital Turnover (Days)	0.7	0.7	0.7	0.7	0.8	0.8	0.9	0.9
Leverage Ratio								
Current ratio	1.1	1.1	1.1	1.0	1.1	1.0	1.0	1.1
Debt/Equity (x)	0.9	0.9	0.7	0.7	0.7	0.7	0.6	0.5

Cash Flow Statement								(INR m)
Y/E March	2019	2020	2021	2022	2023	2024E	2025E	2026E
OP/(Loss) before Tax	3,174	6,815	7,126	5,378	431	4,722	7,343	9,077
Depreciation	3,391	3,519	3,708	3,969	5,099	5,813	6,171	6,426
Interest & Finance Charges	3,705	3,877	2,963	2,427	3,387	3,850	3,674	3,278
Direct Taxes Paid	-469	-418	-843	-610	-508	-1,180	-1,872	-2,315
(Inc)/Dec in WC	1,309	207	-201	-2	280	789	2,196	532
CF from Operations	11,111	14,000	12,752	11,162	8,689	13,993	17,510	16,999
Others	-470	-588	532	-770	-634	0	0	0
CF from Operating incl EO	10,641	13,412	13,284	10,392	8,055	13,993	17,510	16,999
(Inc)/Dec in FA	-4,030	-9,860	-8,028	-7,762	-6,263	-10,000	-6,000	-6,000
Free Cash Flow	6,611	3,552	5,256	2,629	1,791	3,993	11,510	10,999
(Pur)/Sale of Investments	-1,521	-446	2,438	-1,269	1,595	0	0	0
Others	-550	74	-1,699	950	601	0	0	0
CF from Investments	-6,101	-10,232	-7,289	-8,082	-4,068	-10,000	-6,000	-6,000
Issue of Shares	0	0	0	0	0	0	0	0
Inc/(Dec) in Debt	-1,297	1,860	-2,252	1,246	980	500	-4,500	-4,500
Interest Paid	-3,448	-3,872	-3,493	-3,179	-3,393	-3,850	-3,674	-3,278
Dividend Paid	-501	0	-1,036	-770	-770	-770	-924	-924
Others	-103	0	0	0	0	0	0	0
CF from Fin. Activity	-5,349	-2,012	-6,781	-2,703	-3,183	-4,120	-9,098	-8,702
Inc/Dec of Cash	-808	1,169	-786	-393	803	-127	2,412	2,297
Opening Balance	2,198	1,390	2,559	1,772	1,380	2,183	2,056	4,468
Closing Balance	1,390	2,559	1,772	1,380	2,183	2,056	4,468	6,765

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Explanation of Investment Rating	
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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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